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Wednesday March 19 1986

**EUROPE'S BUSINESS NEWSPAPER** 

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## rebels step up attacks

The New People's Army, the mili-tary arm of the banned communist biggest US banking group is seekparty of the Philippines, has stepped up attacks against military and civilian targets since President Corazón Aquino freed more than 500 political prisoners, including top communict leaders

At least 100 people including NPA guerrillas have died in NPA attacks in the past three weeks. Aquino

In Washington, the State Department handed over to the Philippines Government 2,300 pages of documents brought to Hawaii by Marcos. They were impounded by US customs and are believed to contain clues to the whereabouts of his hidden wealth. Page 4

### EEC concern

The EEC expressed concern to the Reagan Administration over US plans to reduce its \$210m contribution to the United Nations budget by a third this year.

### Malaysia bombs

Four bombs exploded in the Sabah logging town of Sandakan in east Malaysia. A newspaper seller was killed and three policemen

### Eleven die in SA

Eleven black people were killed in South African violence and two white women and a child were hurt after cars were stoned and petrolbombed. Page 4

### Mediator leaves

Razah Raad, France's mediator with the kidnappers of French hos-tages in Lebanon, said he was abandoning efforts after claims that he had dashed their chances of re-

### SMH chief jailed

Hans Lampert, former partner in the private West German bank SMH, which nearly collapsed in 1983, was jailed for 48 months on two counts of serious fraud.

Sindona imprisoned Sicilian financier Michele Sindona, a former Vatican adviser, was sentenced to life imprisonment after a Milan court convicted him of ar-

### lawyer Giorgio Ambrosoli. Page 2

Milan wine deaths Three men died in Milan after drinking adulterated wine bought from supermarkets.

### Woman rescued

A Chinese woman who spent nearly 80 hours under the ruins of Singapore's collapsed New World Hotel was rescued. Contact has been lost with some 50 people still trapped in

### Monrovia protest

Schoolchildren demanding that salaries withheld from their teachers be paid went on the rampage in Monrovia in the biggest demonstra-tion against Liberian President Samuel Doe for more than two

**Employers' crisis** Yvon Chotard, deputy chairman of the Patronat, French employers'

## confederation, resigned unexpec-tedly, plunging the organisation into crisis. Page 3

Madagascar havoc Up to 20,000 people have been made neless as Cyclone Honorinina continued to wreak havoc on the

### East African island of Madagascar. New buck passed

US Government is to change the design of the currency to thwart coun-

## build takeover defence

Business summary

biggest US banking group, is seeking shareholder approval to introduce a series of anti-takeover provisions at its annual general meeting next month. Page 28

DOLLAR closed in New York at DM 2.2545, SFr 1.8850, FFr 6.9320 and Y175.40. It was little changed in London, rising to DM 2.2475) and FFr 6.9065). It was lower at SFr 1.8835 (SFr 1.884) and Y175.0 (Y175.85). On Bank of Frederick figures: the dollar's exformed a presidential committee on human rights headed by former senator Jose Diokno, who was jailed by deposed President Ferdinand Marcos.

22475) and FFr 8.915 (FFr 6.9065). It was lower at SFr 1.8835 (SFr 1.884) and Y175.0 (Y175.65). On Bank of England figures, the dollar's exchange-rate index was unchanged at 116.7. Page 43 at 116.7. Page 43

STERLING closed in New York at \$1.4750. It was firm in London, gain-ing 1.25 cents against the dollar to \$1.4775. It was also higher at DM 3.3225 (DM 3.2925); SFr 2.7825 (SFr 2.76); FFr 10.2175 (FFr 10.1175) and Y258.5 (Y257.25). The pound's exchange-rate index rose to 74.3 from 74.0. Page 43

WALL STREET: The Dow Jones industrial average closed 13.05 up at 1,789.87. Page 50

LONDON: Equities rose in reaction to the budget and gilts were strong-WALL STREET: The Dow Jones in-

to the budget and gilts were strong-er. The FT-SE 100-share index closed at a record 1,644.4 up 21.8, while the FT Ordinary share index ended 16.9 higher at 1,374.6.

TOKYO: Concern over the yen's exchange rate combined with profit-taking to trim 15.20 off the Nikkei average to 14,639.32. Page 50

GOLD fell \$2,25 an ounce in the London bullion market to close at \$350.50. It rose in Zurich to \$351.25 from \$350.45. In New York, the Comex settlement was

\$350.30. Page 42 US WEST, telecommunications group, says it will take a one-time charge of \$114m against its earnings for the first quarter in connection with an early-retirement pro-gramme. About 3,600 of the group's 70,000 employees have taken early

EXXON, the world's largest oil comrestructuring as part of its drive to reduce outgoings in the wake of the halving of oil prices. Page 28

ALFA-LAVAL, Swedish engineering and farm equipment group, re-ported a strong return to profitabili-ty last year after 1984's weak performance, which led to restructuring. Page 29

CHRISTIANIA BANK, Norway's ranging the 1979 contract killing of second largest commercial bank, achieved record operating profits

last year. Page 29 PARIBAS, French state-owned bank, sold its stake in Providence an insurer, to Axa Drouot, which is engaged in a takeover battle with

Compagnie du Midi for control of Providence. Page 29 WAH KWONG, troubled Hong Kong shipping company with debts of US\$820m, said its creditors

would give it 60 days to devise a restructuring plan. Page 31 **DOMINION TEXTILE of Canada** has increased its bid for Avondale

Mills of Alabama from US\$24 to US\$26 a share and extended the closing date for its offer from March 26 to March 31. JACOBS SUCHARD, Swiss choco-

late and coffee group, plans to raise up to SFr 400m (\$212.3m) through a rights issue and a public placing of shares to finance further expansion. Page 29 COMINCO, Vancouver-based mining group, and Alaska's authorities

have reached agreement over building a road and port to serve the country's proposed Red Dog Mine, world's richest zinc and lead depos-

BUITONI, Italian foods and confectionery maker, which last year came under control of Mr Carlo de Benedetti's CIR group, made a mar-ginal profit in 1985 after two years of heavy losses. Page 29

PRUDENTIAL-BACHE Securities of the US is to pay £11.95m (\$17.5m) for full control of Clive Discount of the UK. Page 34

## Chirac pledges early reply to Mitterrand Nixdorf's

PRESIDENT François Mitterrand leader of the neo-Gaullist RPR and Mr Jacques Chirac, the leader of the French parliamentary right.

But the absence of a formal anappeared unable to agree last night

Emerging from the Elysée Palace after more than two hours of talks with the President, Mr Chirac said that he had discussed with Mr Mit-terrand the forming of a new gov-ernment and that he would give his reply "as soon as possible."

Mr Chirac's talks at the Elysée Palace were the first confirmation ranks of that Mr Mitterrand had offered the majority.

MR NIGEL LAWSON, Britain's

Chancellor of the Exchequer, yes-terday announced a 1 percentage-

Shrugging off a £5.4bn drop in North Sea oil revenues and predict-

ing that 1986 will be the best year for the UK economy for a genera-

tion, he presented a package of in-

centives designed to boost wider

share ownership, encourage chari-

table donations and alleviate long-

term unemployment.
In parallel, Mr Lawson sought to

maintain the confidence of finan-

cial markets by cutting his target

for the public-sector borrowing requirement in 1986-87 by £500m to

£70n and signalling that the 1985-86 target might be undershot. That was seen in the City of London as

paying the way for an early cut in UK interest rates. The reduction in the basic tax

rate to 29 per cent was partly offset by a decision not to raise thresholds

for the highest-rate taxpayers fully in line with inflation.

nouncement of Mr Chirac's appointon the terms under which the new
government would be formed after
the right's narrow victory in lost
Sunday's election.

Sunday's election.

Sunday's election.

Sunday's election.

Sunday's election.

Sunday's election.

> The courtyard of the Elysee Palace was thronged with journalists and cameramen from early this morning after President Mitterrand had unexpectedly announced on

UK cuts tax rate and

**MAIN POINTS** 

● ECONOMIC FORECASTS: Output in 1986 to rise by 3 per cent and inflation to fall to 3½ per cent. North Sea oil revenues to fall to £6bn in 1986-87 from £11½bn in 1985-86. This assumes a price of £15 a barrel.

● FISCAL AND MONETARY TARGETS: Public-sector borrowing require-

FISCAL AND MONETARY TARGETS: Public-sector borrowing requirement for 1986-87 of £7bn, 1½ per cent of gross domestic product Monetary growth targets of 11 to 15 per cent for £M3 and 2 to 6 per cent for Mo.
• INVESTMENT TAXATION AND INCENTIVES: Stamp duty on share transactions cut from 1 to ½ per cent from October 27, date of "big bang" in London markets. Stamp duty extended, however, to previously extempt transactions including deals within a single account period and takeovers and mergers. Conversion of UK shares into American depositary receipts subject to 5 per cent duty, effective immediately, individuals' investments of £2.400 a year, kept in a Personal Equity Ptan account for at least one to two years, will stream to tax on reinvested dividends or on capital gains on disposals. Business in the property of the property o

tract no tax on reinvested dividends or on capital gains on disposals. Business Expansion Scheme, which allows tax relief on investments in certain companies, extended indefinitely, but additional restrictions on asset-based

PERSONAL AND CAPITAL TAXATION: Basic income-tex rate cut from 30

to 29 per cent. Personal allowance raised by 5.7 per cent in line with Inflation, higher-rate tex bonds raised by less then inflation rate. Basic-rate tex to be withheld from foreign entertainers and sportsmen working in UK. Discussion document published on possible reforms of personal taxation. Capital transfer tex revised and renamed inheritance tex.

BUSINESS TAXATION: Engine size-based charges on company cars to be personal taxation.

BUSINESS TAXATION: Engine size-based charges on company cars to be restructured in line with EEC directive on exhaust emissions. Public compenies allowed tax relief on single gifts to charity up to maximum of 3 per cent of annual dividend — one of several changes to encourage conations to charities. Corporation tax for large companies cut from 40 to 35 per cent, in line with reform announced in 1984 budget.
 DUITY: 7.5p rise on gallion of petrol, 6p on diesel; 11p on packet of 20 cigarettes (but no change on cigars and pipe tobacco); no change in duty on wine, beer or spirits.

tax cuts totalling £7bn, and Mr Mr Lawson gave an upbeat as-

long-term aim remained to bring and inflation, predicting that the

Mr Lawson said the aim was to Lawson said the Government's sessment of the outlook for growth tration."

oil-price collapse "not on the rich but on the great majority of ordi-discussion document on the reform price inflation would be down to 3%

with a renamed inheritance tax. ners in the early 1990s. The oil price fall, he said, would For 1987, possibly the last budget Mr Lawson also announced a bring a small net benefit to the

before a general election due at the halving of the rate of stamp duty on economy as a whole, although it

latest by mid-1988, Mr Lawson pen-share transactions to % per cent to would reduce the Exchequer's reve-

cilled in tax cuts of £2bn. Over the coincide with the City's "big bang" mues from the North Sea to £6.1bn next two years, the financial state—in October, but that will be offset by in 1986-87 from an estimated

forecasts 3% growth

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

Right-wing deputies welcomed the President's statement as an auspicious beginning to "cohabita-

Last night's disagreements appear to have focused on defining the roles of Prime Minister and President and Mr Chirac's insistence on assurances from Mr Mitterrand over key appointments and allowing the right to legislate by de-

The RPR and the UDF want to Monday night that he would choose accelerate their legislative pro-a Prime Minister shortly – and probably on Tuesday – from the the lengthy parliamentary proce-ranks of the new parliamentary dures and thus be able to put through some laws by decree. That

governments, but one that requires er dismiss him.
the President's signature. It aphe is publicly opposed.

Disagreements might also have occurred over sensitive Cabinet posts – including possibly defence and foreign affairs portfolios, where the President's prerogatives are directly involved – as well as althout involved. other important appointments in the administration.

price averages around \$15 a barrel in 1986-87 and that the sterling-

dollar exchange rate remains close

to a recent rate averaging around

\$1.45. He was adamant, however,

that Britain would not cut its pro-

duction to help to stabilise the

world oil price.

Much of the hole in government revenues left by lower North Sea oil

revenues has been made up by buoyant revenues elsewhere, ref-

lecting strong increases in earnings

and consumer spending and rising

Mr Lawson said those revenues were now forecast to be around

C3bn higher in 1986-87 than forecast

at the time of the last budget. That

meant that the fiscal adjustment, or

scope for tax cuts, of £3%bn pen-

cilled in at the time of the last bud-

get had not been eliminated com-

pletely but had been reduced to

The oil price fall and the parallel

fall in sterling's value against Euro-pean currencies should also give

important stimulus to manufactur-

company profits.

is a course often followed by French the Prime Minister, he can no longpeared yesterday that Mr Mitter- ties made clear that their party was rand might be unwilling to allow willing to form a government only if through certain projects to which they could implement their pro-

In the difficult bargaining, Mr Chirac's own position has been weakened by the slender majority that the right won in the election. Because of that and the fragility of the coalition, Mr Chirac called for "unfailing support" from right deputies for the expected new government. He said that the UDF and the The negotiations are crucial be- RPR must observe "absolute disci-

### **Markets** give muted approval to budget

By George Graham in London

with mute approval to yesterday's UK budget, which was seen as removing one of the possible obstacles to an immediate cut in domestic short-term interest rates. The pound strengthened modestly after the Chancellor of the Exchequer's statement, but reacted more strongly to hopes of stabilising oil prices in the wake of the Opec meeting in

in bank base rates is now widely predicted by economists and dealers, perhaps as early as today. "I think a 1 per cent cut will come, and

ing industry, providing what Mr Lawson called "an outstanding opportunity both to increase its exports and to reduc import penetribute to balanced growth in output over the next year with invest-ment and exports rising faster than

In a brief review of monetary policy, Mr Lawson said he was reinstating the target for the broad direct share ownership. measure of the money supply, ster-ling M3, with a tighter target for the narrow money-supply measure Mo. The markets were immediately

Continued on Page 28

Continued on Page 28 Details and analysis, Pages 14-25; Editorial comment, Page 26; Lex, Page 28

measures to be greeted favourably when London's markets reopen today, although some voiced concern that he might have been too optimistic in the picture he painted of economic growth in the coming

the Chancellor's decision not to raise taxes on beer and spirits, but insurance companies lost ground. They were viewed as the obvious losers in the budget as a result of the creation of new incentives for

## Chirac profile, Page 3

I think it will come soon," said Mr Roger Bootle, chief economist at Lloyds Merchant Bank. Share prices on the London stock

exchange rose strongly, and the FT-SE 100 index gained 21.8 to end the day at a record 1644.4. The FT ordinary index added 16.9 to a peak

FINANCIAL MARKETS reacted

Analysts expected Mr Lawson's

A cut of up to 1 percentage point

pleased when Mr Lawson announced that he would reduce the

Concern over yen, Page 28; Currencies, Page 43; Stock markets

## death robs Germany of ingenious innovator

By John Davies in Frankfurl

MR HEINZ NIXDORF, who died on Monday night at the age of 60, was always a maverick figure – a quick, tough, independently-minded and restless man. The success of his data processing company, Nixdorf Computer, made him one of West Germany's leading businessmen but one with the uncomfortable trait of speaking out sharply and

His career has often been cited as an example to others in a nation painfully aware of its need to spur innovation. While still a university student in 1952, he began develop-ing an electronic calculator in a basement workshop in the industrial town of Essen. Now, his business has world sales of nearly DM 4bn (\$1.78bn) a year and 23,000 employ-

At the pinnacle of his career, Mr Nixdorf was welcoming hundreds of customers and senior staff at a crowded reception at the Cebit computer fair in Hanover when he collapsed and died of a heart attack.

The immediate reaction of the Frankfurt Stock Exchange yesterday was to mark down the price of Nixdorf Computer shares. They fell DM 16 to close at DM 560. But while Mr Nixdorf to the very last dominated his company and took a close interest in production details, he was intent in recent years on ensuring that his life's work should sur-

He brought in outside investors by launching his company on the stock exchange two years ago. Typi-cally, he had long held back from such a step and finally made clear that outsiders would get only nonvoting preference shares. With a determined grin, he said that he had no intention of giving up any control over the business.

In addition, he named Mr Klaus Luft as his successor. Mr Luft, the deputy chief executive, is a young and persuasive marketing expert. After Mr Nixdorf's death, it is up to the company's supervisory board, meeting on April 17, to decide on

Mr Nixdorf, with other r of his family, held about 70 per cent of the company's shares, all of them ordinary voting shares. Mr Nixdorf always kept his business and family life separate: none of his three sons is involved in the business.

In building up his company, Mr Nixdorf originally concentrated on being a supplier to large accounting-equipment manufacturers but soon began marketing products himself. As computers became

Continued on Page 28 Stock markets, Page 50

### panied the speech shows scope for other financial transactions. **GM** discussions on Land Rover purchase close to breakdown

ited room for manoeuvre after the the basic rate down to 25 per cent.

nary taxpayers." The wealthy, how-of personal taxation, which Mr ever, are expected to benefit from a Lawson said would pave the way

decision to abolish capital transfer for the introduction of transferable

tax for lifetime gifts and replace it allowances between married part-

ment and budget report that accom- extending the duty to a range of £11.5bn.

BY PETER RIDDELL AND KENNETH GOODING IN LONDON TALKS about the future of Land

This emerged last night at the while leaving a major British com-Vauxhall subsidiary in Britain suf- company. fered an unprecedented net loss of GM has consistently said it does 247.4m (\$70m) in 1985 despite not want Leyland Trucks without new cars (up from 282,835) and its achieving record car sales and mar-Land Rover. new cars (up from 282,835) and its market share improved from 16.17 Meanwhile, the trade and indus-

try department reacted to allegations that other potentions that it was favouring GM and tial bidders for Land Rover are befreezing out the consortium that ing frozen out. wants to organise a management buy-out of Land Rover. It said the the Minister of State for Industry, consortium would today be given all gave an assurance to Mr Anthony the financial information it had so far unsuccessfully sought. Some ministers were, unusually,

day so they could attend a lengthy meeting with GM. There were signs at Westminster West Midlands, last night that the hoped-for commotor industry. promise deal with GM might prove

Mr Paul Channon, the Trade and Trucks and Land Rover and to Rover between Britain's Department of Trade and Industry and implicit a compromise which would before the Easter recess. General Motors (GM) of the US are enable GM to buy Leyland Trucks perilously close to breaking down from state-owned BL and to take a loss, up from a loss of £9.4m in 1984,

achieving record car sales and mar-Land Rover.

The talks between Britain and GM over the past six days have led

But last night Mr Peter Morrison, Beaumont-Dark, a Conservative MP, that Schroder Ventures, the merchant bank acting for the manabsent from the budget statement agement buy-out consortium, would in the House of Commons yester- be given all the financial details it be given all the financial details it tions last year."

He said Vauxhall was on course

He said Vauxhall was on course

> The Government still hopes to reach a decision about Leyland ish factories.

per cent. For the first half of 1987, he forecast a slight slowing in the

growth rate to 2% per cent, and in-

flation still at 3% per cent.

The oil price fall, he said, would

That drop assumes that the oil

News of the Vauxhall £47.4m net significant interest in Land Rover will shock the UK motor industry and lead to further allegations that same time as GM revealed that its ponent in the running of the latter the GM subsidiary has been buying market share in Britain. Last year Vauxhall sold 303,463

> per cent to a record 16.56 per cent. Vauxhall's new chairman, Mr John Bagshaw, blamed the in-creased loss on high interest rates and fluctuating exchange rates the company imports many cars and knocked-down kits from GM's

Opel subsidiary. Mr Bagshaw added: "We, like other manufacturers, had to absorb higher selling expenses in the extremely competitive market condi-

sents a constituency in England's to achieve 60 per cent UK content West Midlands, centre of the UK for all the vehicles it makes in Britain and to build 65 per cent of all cars sold in the UK at its two Brit-

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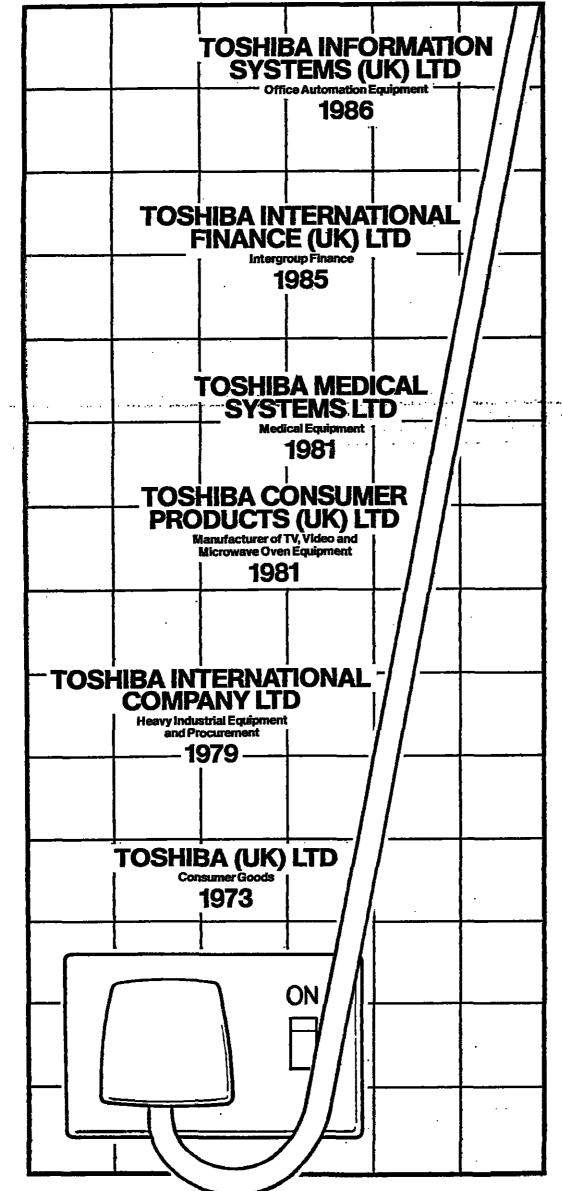
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### **EUROPEAN NEWS**



Sindona surrounded by Carabinieri in the Milan court where he was senter

## Soviet output rises 7.3%

MR MIKHAIL GORBACHEV's ambitious five-year plan for the Soviet economy has got off to a creditable start. Industrial output has increased by 7.3 per cent and labour productivity by 6.9 per cent in the first two months of this year compared with the same period of 1985.

In the energy sector, important for its export orientation, gas extraction increased by 10 per cent, but oil output over the level of the extraordinary production swings that occur in Soviet of the extraordinary production swings that occur in Soviet factories as scarce supplies suddenly become available or as workers "storm" at the end of the month of the month of the month of the month of the same period of 1985.

All major industrial sectors fulfilled 79 and 81 per cent, important for its export orientation, gas extraction increased by 10 per cent, but oil output over the level of respectively, of their monthly targets in the last week of February alone.

Soviet economic reforms

## Estonia demonstrates how it's done

BY DAYLD BUCHAN, RECENTLY IN TALLINA

The admiring way in which Mr Abel Aganbegyan, chief economic adviser to Mr Mikhail Gorbachev, the Soviet leader has talked recently of the Estonian experienments indicates that he would like to see the changes pread to the rest of the coun-

tive has played a large part in the reforms, possibly for cul-tural reasons or perhaps because Estonia, like the other Soviet Baltic states and Eastern Europe has lived with central planning for fewer years than the rest of the Soviet Union. Most of the management changes in Estonian agriculture

and services were home-grown ideas, and in the centrally-conceived industrial reform, Estonia successfully fought the Moscow Dosmestic Trade Ministry to have retailers included in the experiment and producin the experiment and producers allowed to set up their own

Perhaps the best, or at least broadest, achievement has been in agriculture, where unlike most of the rest of the Soviet Union the average basic wage in Estonia (260 roubles a month in 1985) now outstrips that in industry (215 roubles). Estonian annual is two and

a half times the national average. Against the Soviet trend, there is a modest net migration from the towns back to the countryside.

supplier industries, in a way that has now been imitated

a 10.5 per cent target.

Not only did planning The new system gives custoimprove under this system, but more money was spent on housing, shops and schools, to year paid some 700,000 roubles

Civil servants'

wage strike hits Finland

industrial organisations. Estonia now has another novel idea up its collective sleeve: introduction of a differentiated agricultural rent to create equal financial condi-

Estonia is unique among Having your television Soviet republics in having repaired in Estonia only reforms going on in agriculture repaired in Estonia only takes a couple of days repaired in Estonia only industry and services, ranging takes a couple of days from family farms, direct retail outlets for consumer goods manufacturers and greater make a profit. Local profit incentives. Local initiative has played a initiative has played a large part in the republic's approach to industrial and

agricultural change and its success in improving efficiency is seen as a model for the country.

tions for farms on good and bad land. As Mr Lugus and his col-leagues explain it, the problem is that for the purpose of fixing wholesale farm prices, the vast Soviet Union is divided into

just three zones.
Since farm prices cannot be properly differentiated to reflect land differencies inside these enormous geographical zones, a variable rent should be intro-duced. The idea remains in political limbo at present because of powerful consumer objections that introducing land rents will raise food prices. For a little over a year, Estonian light industry has, under the national experiment One reason for this is that

Estonia was the first region,
starting in the mid-1970s, to
combine management of agriculture with most of its
supplier industries, in a way
that her now hear imitted. of 18.6 per cent, compared with

IF SOVIET economic reform mitigate what Marx called the can be said to have a leading idiocy of rural life. A disadvangedge, Estoni is it. With a small tage, according to Mr Olev fewer production targets and population of 1.5m people and Lugus of the Estonian Academy of Sciences, is that the entergraph of the profits.

Mrs Elli Ruben, Marat's personnel director, says she is looking forward to the new graph of Sciences.

freedom won from the Moscow Trade Ministry for Estonian consumer goods companies to set up their own high street

shops.

The Estonian experiment attracting most national attention involves Elektron, a chain of 48 television repair shops around the republic. Under the 35 kopecks for every one rouble of repair work they did, so many did business on the side (or on the left, as the Russians say).

The new deal, which affects 24 of Elektron's shops, allows workers to keep all the profit on any business above a certain

target.
The upshot, says Mr Vello Rink, Elektron's director, is that repairs take two to three days compared with 10 to 14 days before, and the shops provide new services such as home visits by repairmen.

Productivity has risen by 40 to 50 per cent, and wages in line with this, to 350 roubles a

month or more.

Mr Rink is particularly pleased that he has got the Republic's planners to agree to give his company a "stable" target of a 60 per cent increase in output over 1986-90. He says the normal annual ratcheting up of targets in line with pre-vious year's performance robs workers of profit and incentive.

The Elektron director reports Mr Aganbegyan on a recent wisit to Tallin as questioning whether targets were really needed for service industries, whose only function was customer satisfaction. Mr Rink himself says he can foresee a situation with targets eliminated

from services.
Estonia's chief planner, Mi Gustav Tynispoeg, says all these experiments show "how Socialism can work." The question remaining, however, is how well they can be translated to the manufacture of the property parts. to the many other poorer parts of the Soviet union which lack the flexibility of Estonia.

## Sindona given life sentence over killing

dep

By Alan Friedman in Milan

MR MICHELE SINDONA, the Sicilian financier and former Vatican adviser, was yesterday sentenced to life mprisonment after convicted by a Milan court
of having arranged the 1979
contract killing of Mr Giorgio
Ambrosoli, a lawyer who
was officially investigating
Mr Sindona's finances.

The shadowy Mr Sindona was once the owner of an important banking empire in Italy and of the Frankin National Bank in New York. National Bank in New York.

He was convicted and
sentenced a year age in
Milan to 15 years in prison
for fraudulent bankruptey in the 1974 collapse of his Italian banking empire.

Italian banking empire.
In 1989 the now 65-year-old
Mr Sindona was sentenced to
25 years after a New York
trial for fraud and perjury
in the 1974 collapse of the
Franklin National Bank.
He was extradicted to Italy

in September, 1984, and may, under a US-Italian freaty, be returned to prison in New York state before again being returned to Italy to serve his sentence here.
Also convicted and sen-

tenced to life imprisonment yesterday was Mr Robert Venetucci, a New York-born alleged Mañoso who organised the killing of Mr Ambrosoli at Mr Sindona's behest. Mr at Mr Sindona's benesit. Art Venetucci, speaking in a Brooklyn accent, declared after hearing his sentence: "This is not a fair trial. They

have no proof."

The true significance of Mr Sindona's conviction goes beyond the case itself. He. like his former friend the late Roberto Calvi of Banco Ambrosiano, is a quintessential representative of the sinister underside of Italian politics and finance.

The state prosecutor in Milan described him as being linked to the Italian and US Mafia and as "among the most dangerous criminal elements of Italian society."

Few Italians need to be, provided of Mr. Sindons's reminded of Mr Sindona's many alleged ties with the Maña, his membership in the banned P-2 freemasons' lodge and his extremely close business ties with the Vatican-Bank\_His\_power was\_rooted... in the secretive para-state which flourished in Italy in the 1960s and 1970s.

He was at one time hailed by Mr Giulio Andreotti, the present Foreign Minister and a former Prime Minister. as "the saviour of the lira." Mr Sindona, for his part, has described Mr Andreotti as " a

Indeed. Mr Sindona's return to Italy 18 months ago set off a political storm which led to a parliamentary call for the resignation of Mr Andreotti for his alleged ties to Mr Sindona. Mr Andreotti sur-vived the parliamentary

Yesterday's sentences included a four-year jail term for Mr Luigi Cavallo, who was employed by Mr Sindona to intimidate the late Mr Calvi after their relationship soured.

The murder conviction is based on the prosecution's case that bir Sindona paid \$50.000 to Mr William Joseph Arico, a hired killer, who

murdered Mr Ambrosoli in Milan on July 11. 1979.

Mr Ambrosoli had been appointed by the Bank of Italy to carry out the liquidation of Mr Sindona's Banca Privata. Mr Arico later died in a US prison under mysteri-ous circumstances.

Mr Sindona, who came from modest origins in Sicily, developed intimate ties with senior Vatican Bank officials in the late 1950s and 1960s. He not only acted as an investment adviser to the Holy See but was also close to various Rome politicians.

### S. Korea deficits fillip

South Korea's current account deficit narrowed to \$138.3m (£95m) in February from \$322.9m in January, but remained wider than the \$124.4m in February 1985, provisional Bank of Korea figures show, Reuter reports from Seoul. The trade deficit narrowed to \$77.5m from \$184.4m in January and

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### Poland's miners demand working week concession BY CHRISTOPHER BOBINSKI IN WARSAW

By Oili Virtanen in Helsinki

A STRIKE by Finland's government employees has paralysed trains and domestic air traffic and severely disrupted external flights and the postal service. The two-day action ending today follows a concerted strike by the country's main blue collar union SAK, which affected much of the same services for three days at the end of last week.

The civil servants' union called the strike in support of demands for a 6 per cent pay increase plus FM 800 (£107) a month. This compares with the 2.4 per cent which SAK accepted after its strike.

Civil servants yesterday warned that they will begin an indefinite strike on April 2 if negotiations do not bring a settlement by then. That action would first involve some 20,000 government employees in the Helsinki area, and within two weeks the number of strikers would increase to 42,000 across

THE NEW Polish miners union leadership, has threatened to go to demanding that the Govern- to arbitration which is the first

is demanding that the Government concede the principle of voluntary Saturday working for the coal, as well as other underground extractive industries, despite last month's afficial order making Saturday working compulsory.

Successful opposition to week-end working in the mines was end working in the mines was one of the great issues in the strikes of 1980 which led to the emergence of the Solidarity movement. Output the following year fell as a result by 30m tonnes, with a consequent fall in crucial hard-currency coal export earnings.

Compulsory working on Saturdays was restored in the mines albeit at more than double the daily wage rate, with the onset of martial law in 1981. The compulsory working orders expired at the end of last year but were extended by the Government in February until

step in the long drawn-out procedure preceding a strike, should its demand not be met. Working on Saturdays, how- \$79.9m a year earlier.

ever, is an economic necessity for the majority of miners, However, the union is concerned to establish the principle of voluntary working, as well as to improve the flow of goods to special miners' shops. This year, the average monthly coal miner's wage, which is tradi-tionally at the top of the indus-trial scale, is expected to reach Zi 50,000 (£207), a fifth of which will be earned at weekends on average.

Poland, meanwhile, agreed to accept the SDR 600m (£474m) membership quota suggested by the International Monetary Fund in the run-up to its re-admission, the Government, Mr Jerry Urban, confirmed yesterday. While the vote on Poland's membership is The new miners' union, refused to comment on when it backed by the national union expects to rejoin the fund.

## Patronat leader under attack as deputy quits

THE FRENCH employers' confederation, the Patronat, has been plunged into crisis by the surprise resignation of its

the surprise resignation of its deputy chairman the day after right-wing parties won a narrow majority in Sunday's parliamentary election.

By dramatically resigning at the end of a Patronat executive council meeting, Mr Yvon Chotard has openly challenged the leadership of Wr Yvon

Relations between the two have been difficult ever since Mr Gattaz-became chairman in December 1981. However, they decided to try to work together to enable the Patronat to show a united front during the past five years of Socialist govern-

ment in France.
Mr Chotard submitted a stinging letter of resignation openly criticising the chairman, claiming he was not "capable of conducting the necessary policy." The fundamental clash has been their radically different approach to labour relations. Mr Chotard, who has been responsible for labour relations the Patronat since 1972, believes in close consulta-tion and collective bargaining television by Syrian-born Omran with the French trade union Adham, a mysterious figure confederations.

be held today throughout the country in a vote that is viewed

as a valuable forecast of the

May 21 general elections.

The opposition Labour Party is expected to post the biggest

gains in today's ballot, capturing between 35 per cent and 38 per cent of the vote, according to the latest public

interior

central union structures. In so central union structures. In so doing, Mr Gattaz has sought to take advantage of the current debilitated state of the large unions which have been forced to adapt themselves to the profound change in workers' attitudes over recent years.

These new attitudes have included a more realistic approach to wage demands and industrial restructuring in the face of the growing pressures

the leadership of Mr Yvon
Gattaz. He is now expected to
compete directly for Mr
Gattaz's post when the chairmanship comes up for renewal
at the end of this year.

Relations between the two

Relations between the two

maiority albeit a slim one, in

majority, albeit a slim one, in the National Assembly. He claims that the current Patronat leadership is not able to create the necessary internal cohesion in the confederation in this delicate period of French economic and political

Razah Raad, France's un-official mediator with the kid-nappers of French hostages in Lebanon, said yesterday he was abandoning his efforts following charges that his mussion had runed the hostages' chances of release, Reuter reports from

confederations.

In contrast, Mr Gattaz has sonal envoy of President Franbeen pressing for direct negotiations between employers and
workers, short-circuiting the workers, short-circuiting the comment on his status.

**Dutch cast local votes** 

DUTCH LOCAL elections will tions in 1982. storage of certain gases." The right-of-centre Liberals, the junior partners in the coalition, are expected to suffer a sharp fall to 17 per cent from 22 per cent four years ago. The polls show that the

Christian Democrat - Liberal coalition would lose its parlia-mentary majority, falling one opinion polls. The Christian or two seats short of the 76 Democrats, the senior partners in the governing centre-right coalition, are expected to score about 33 per cent, about the same as in the last local elec-

### Test set for EEC standards short cut

By Paul Cheeseright in Brussels THE EUROPEAN Community's

new short-cut approach to set-ting technical standards will have its first test with simple ressure vessels. Trade ministers meeting in

Brussels yesterday received from the European Commission the first proposal under a system agreed in May 1985 for estab-lishing a simple Community standard based on essential health and safety requirements.

The system is designed to cut

away the lengthy negotiations needed to set a standard product-by-product. Instead the idea is to fill in basic requirements, leave it to standards bodies to settle the technical details and have mutual recognition of existing national standards. Goods meeting the Community stan-dard would have free circulation among the 12.

Over the next few months the pressure vessels proposal will be followed by others dealing with construction machinery, lifting and hoisting gear and machine tools. How the ministers handle the pressure vessels proposal will be an indication of the speed at which they will be able to move on the others.

The Commission has chosen to deal with pressure vessels first because of the safety hazard they represent and because the Com-munity countries have varied approaches on the best way of protecting users from the risk of such vessels bursting. In the context of the immedi-

ate proposals simple pressure vessels are defined by the Commission as "compressed air reservoirs, reservoirs for motor vehicles and containers for the

The essential safety require-ments put forward by the Commission are generally expressed in performance terms but do veer into the type of materials to be used for construction, their chemical composition and me-

chanical properties.

Ministers had a brief, inconclusive look at the proposal yesterday but spent more time con-sidering standards directives on the table before the new approach came into force,

### **Spending** frozen by ruling on UK

By Quentin Peel in Brussels

EEC spending on social and regional projects, including training and job creation schemes, worth some Ecu 320m (\$307.2m) is likely to be frozen as a result of the British Government's success in winning a European court injunction over its contribution to the Community

A further Ecu 70m in Third World aid will also be affected. Those are the major items in the

Ecu 563m challenged by the British Government as having been unlaw-fully added to the EEC budget by the European Parliament for the current year.

The UK action will save the Government an immediate \$27.5m in excess payments made in the first European Commission now has to decide whether to repay compar-able amounts to the other 11 mem-

The injunction was granted by the president of the European Court pending a major case against the European Parliament's version of the budget, being brought by the Council of Ministers and Britain, France. Luxembourg, the Netherlands and West Germany.

The British success was described yesterday as a "pyrrhic victory" by angry members of the Parliament, who warned that it could cause a new political backlash directed at Britain's budget rebate. "The British Government has

blown it." Mr John Tomlinson, a Labour spokesman on the budget committee, said. "Mrs Thatcher will get her £19m back, and the price she will pay for it is that £300m rebate placed in jeopardy."

The decision by the court presi-

dent asks the European Commission to execute a budget in line with the Ecu 32.7bn approved by the EEC budget ministers, and not the Ecu 33.3bn passed by the parlia-Other MEPs challenged the

court's ruling, on the grounds that it appeared to recognise a budget which had not been approved by the parliament, as the Treaty of Rome requires, but merely by the budget ministers.

The member states challenge the parliament's budget on the legal grounds that it exceeds the rate of increase laid down in the budget reRPR leader keeps France guessing, writes David Housego in Paris

## Chirac wears confident smile

Chirac wore the smile and self as-

statement from the Elysee on Mon- would not block their attempts to day night that he would appoint the new Prime Minister from within gramme by decree. the ranks of the right wing majority in the National Assembly.

The second was the private conclave of leaders from the neo-Gaullist RPR and the centrist UDF on Monday who effectively agreed sembly and thus being able to face they would not support any other Mr Mitterrand from a strong posi-Premier in the National Assembly but Mr Chirac. That barred the road to other possible contenders from within the opposition such as Mr Jacques Chaban-Delmas, the Mayor

Symbolically, one of the much-publicised moves that Mr Chirac made yesterday was "to receive" Mr Chaban-Delmas at the Paris town hall where he is mayor. That was

terrand's Prime Minister." He knows full well that he would be embarking on a tight-rope struggle

ALL DAY yesterday, Mr Jacques sion to Mr Mitterrand as President Chirac wore the smile and self as-surance of a man who knew that he would step into the Prime Minis-see at 5.30pm. Last night's negotiations appeared to stumble over his Despite last night's hesitant nego-desire for assurances from the tiations with President Mitterrand President that the right would be two events had made his appoint- able to place its own nominees in ment seem increasingly inevitable key posts in the administration, for after Sunday's election. The first which the President's endorsement was President Mitterrand's brief is required, and that Mr Mitterrand hasten through their legislative pro-

> Mr Chirae could start off from a weaker position than he had hoped. All the right's calculations were on the basis of its achieving a comfortable majority in the National Assembly and thus being able to face

with a slender majority in the As-sembly and the election bolstered Mr Mitterrand. Although Mr Chirac has emerged as the only credible Prime Minister from the right's point of view he has been weakened more clear-cut victory.

the sign that Mr Chirac was master of the shop

Mr Chirac has long said that he had no wish to be "President Mit
Mr Chirac cannot afford to have has sought support across a broad across the control of the shop parliamentary group for "unfailing government, indicative planning support" for the new Government. And government intervention which has been a party of strong parliamentary group for "unfailing government intervention which has been a party of strong parliamentary group for "unfailing government intervention which has been a party of strong parliamentary group for "unfailing government intervention which had no wish to be "President Mit-

with a master of the political stage. towards embracing the free market by buried that past. tradictory statem

The ultimate trooby is the succession of the political stage. towards embracing the free market by buried that past. tradictory statem political alliances, and the political stage.

Prime Minister Jacques Chirac: a tightrope struggle

an and Mrs Margaret Thatcher. He was as enormously impressed by their success two years ago as he has been joited by Mrs Thatcher's recent difficulties.

His conversion to free-market economics owes a good deal to Mr Alain Juppe, the party's economic within his party for not securing a spokesman now likely to be given a ministerial post.

Because of this difficulty Mr Historically, the Gaullist movestragglers jumping off the boat.
Since the left took power in 1981,
Mr Chirac has moved rightwards and privatisation has not complete-

trade unions and would certainly prevent foreign investors gaining more than a minority stake

French denationalised industries. At the time of the Westland affair in Britain he was amazed that Mrs Thatcher did not do more to push Vestland towards a European solu

Mr Chirac, who is warm, impulsive and quick-tempered, has an enormous following within his par-ty. He strengthens this with election campaigns that carry him to a different town every night.

No politician is more assiduous in building up his personal network, in winning friends through a handshake or a smile, and in instilling enthusiasm in his supporters Nevertheless, he is an indifferent public speaker, rarely able to win a

His strength as a manager both of his party and the city of Paris is that he is able to delegate and to encourage fresh talent.

Two years ago, he carried through a difficult generation change in the leadership of his party, retiring many of the Gaullist "old guard" and introducing younger men such as Mr Jacques Toubon, now the party secretary-general, in

His weakness is that he is a man without firm long-term convictions. His career is scattered with contradictory statements and broken

## Constitution divides executive authority

BY OUR PARIS CORRESPONDENT

Minister drawn from the parliamentary right a substantial part of Prime Minister and President. decision-making in France will shift from the President's office to that of the Prime Minister.

At the same time the National Assembly, which has up to now had a background role in the history of the Fifth Republic, becomes much more important.

For while the President has the power to name the Prime Minister, ments. he cannot dismiss the man he has pends on his maintaining the

tive authority divided between Mr Mitterrand will still be left with a significant role in foreign af-fairs and defence, and has other levels with which he can make his voice heard. The most important of these are his powers to dissolve the National Assembly, to call a referendum and in certain circum-

Until now Presidents of the Fifth chosen, though he can exert great pressure on him to resign. The Prime Minister's position now deeach President has been in command of a more or less pliable ma-

stances to veto decrees and appoint-

"determines and conducts" policy. in two years bu Thus the civil service and the ad-brought forward. ministrative apparatus of the Government depends on the Prime Minister. It is the Prime Minister issue regulations and certain de-

The President's ability to initiate action himself is greatly restricted.

His signature is needed to a action of senior appointments in the civil The President can delay legislation for 15 days, but is then obliged to sign it.

Nevertheless, the President is more than a constitutional head of state - particularly where the new Government will have only a slim Assembly's confidence.

But if Mr Mitterrand's power jority in the National Assembly.

Rocks likely to be substantially eroded, the Constitution of the Fifth states that it is the government (units are now living in the expectations).

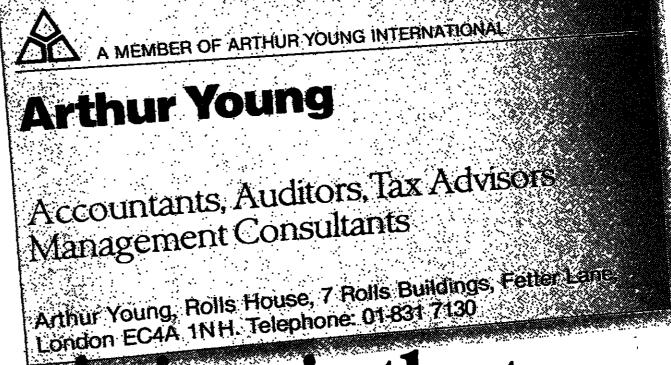
Government will have only a stim majority in the National Assembly, in his ability to time the new tions either by resigning him is a state of the constitution of the Fifth states that it is the government (units are now living in the expectation). majority in the National Assembly, in his ability to time the next elec-and both the right and the Social-

WITH THE appointment of a Prime Republic nonetheless leaves execu- der the Prime Minister) which tion of presidential elections - due in two years but which could be

> The President can refuse an extraordinary session of parliament Minister. It is the Prime Minister which the new government will alwho is responsible for drafting laws and for getting them passed. He can its crowded legislative programme and the budget. He can refuse to

service, the armed forces and public sector or nationalised banks and industries. He also presides over the weekly Cabinet meeting.

But in the present circumstances his most formidable power resides



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Arthur Young, Apple UK announced the launch of Apple Accounting.5M This UKdeveloped package was commissioned by Apple as just part of its commitment to the business world.

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out

the downturn.

WHEN New Zealand farmers

let loose a truckload of sheep

in the grounds of the country's Parliament building early this month, they served notice on

the Labour Government of Mr

David Lange that their plight

Thousands of farmers have

marched in protest down the

streets of small towns and

cities, claiming that the combin-ation of falling world markets

and the Government's policies

mean that they face impending

Many farms will have to be sold this year, they say, because interest and debt repayments cannot be met from falling

The Government acknow-

ledges that the income of the average farmer will fall by 25

per cent this year. But Mr Lange and his Finance Minister.

Mr Roger Douglas, have declared that the Government

will not reverse its economic course and reintroduce the subsidies and special payments which cushioned farmers under

the previous National Party

The farmers' leaders them-selves declared in the last days

of that Administration that farmers did not want handouts,

and that the industry should be economically viable.

They did not, however, anti-cipate the extent to which indi-

vidual farmers would be hit by the combination of the removal

was becoming desperate.

bankruptcy.

BY SAMUEL SENOREN IN MANILA

A CALL by President Corazon take effect until April 1 but Aquino, of the Philippines for national reconciliation has been largely ignored by the New People's Army, the military arm of the banned Communist Party, threatening an informal ceasefire ordered by military

mated fighting force of about 16,000, has stepped up attacks against military and civilian targets since Mrs Aquino freed more than 500 political prisoners, including top Communist leaders, two weeks ago.
The prisoners were released
in fulfilment of Mrs Aquino's election campaign promise to effect national reconciliation. During the past three weeks attacks by the NPA have claimed the lives of more than

100 people in northern and tions by security formes under central Philippines.

A six-month truce declared by Mrs Aquino is not to officially Marcos to Hawaii in February.

relations with India deteriorate By John Eliott in New Delhi

RELATIONS between India and Pakistan have sunk to their lowest level since the leaders the National Democratic Front of the two countries met for a cupharic summit in New Delhi (NDF), the political arm of the last December and mapped out Communist Party, said it had not been consulted on the a programme of co-operation which should have culminated terms of the ceasefire.
The NDF wants Mrs Aquino's in an official visit this month to Islamabad, the Pakistan home defence forces which were used extensively by the government of former Fresident Ferdinand Marcos to fight the capital, by Mr Rajiv Gandhi, Prime Minister of India.

That visit has been pushed back into the second half of this year at the earliest following a series of upsets linked with issues which have regulariy disrupted relationships between the two countries,

Both Mr Gandhi and President Zia ul-Haq of Pakistan have had to take note of views of political parties within their kountries which distrust any rapprochement. This has helped to slow progress on negotiating a peace and friendship treaty. It has also highlighted problems over the disputed territories of Jammu and Kashmir, which both countries' leaders had hoped to leave on one side until other problems had been solved.

The annual report of the Indian External Affairs Ministry, published yesterday, stated: "Since President Zia's visit there have been unfortunate statements relating to Kashmir and minorities in India by responsible ministers and other Pakistani leaders."

The report said that, although Pakistan's assistance to Sikh extremists in the border state of Punjab had been raised with President Zia, along with Pakican's nuclear programme, 'India remains to be convinced on both these matters The report also criticised the

support given by Pakistan and other countries to Sri Lanka for use against that country's Tamil extremists.

Thai budget backed The Thai cabinet yesterday endorsed a 226bn baht (£5.9bn) expenditure budget for the next fiscal year which begins in October, writes Boonsong KThana in Bangkok. This represents a 6.8 per cent increase over this year's total.

The budget is subject to approval from the Parliament which is expected to start its first reading in May.

Debt crisis hits New Zealand farmers

Subsidies encouraged farmers to build up sheep herds regardless of market forces

of special payment, the other effects of the new government's economic policies and the difficulties caused by problems in

notorious supplementary mini- 2 new farm as 2 result. mum payments scheme, to farmers, which provided additing. Payments on large loans tional payments above market could be managed while prices and added hundreds of millions of dollars a year to government spending. Along with a stock retention

The government is under pressure to change policy, reports Dai Hayward in Wellington

payment scheme, the payments encouraged farmers to build up sheep and cattle herds irrespec-tive of the needs of the market, and to gear their farm produc-tion to obtaining Government payments rather than to market demand.

created anomalies within the farming sector. One add-on payment for wool boosted income for individual farmers by up to quarter and meant that the larger, more wealthy wool producers also received the largest Government add-on pay-

Tax incentives, originally in-tended to encourage farm development and the creation of new farm land, also contributed to the imbalance of the farming sector, and provided well-used investment opportunities for non-farmer businessmen.

Syndicates of up to ten businessmen could obtain high tax write-offs by investing in farms; after a few years they could re-sell the farm at a large tax-free capital gain, eventually farmers who have received

One of the Labour Government causing a big rise in land loans from the Government ment's first moves was to sweep away subsidies, including the forced to borrow heavily to buy critical position. He attracted These farmers are now suffer-

interest rates were held down by government restrictions on the banking industry during the previous Administration, but restrictions have now been lifted. Interest charges have more than doubled, sometimes to as much as 22 to 24 per cent. At the same time, the cost of living has increased, farm costs

have jumped and other former

incentives such as fertiliser

subsidies and assistance with transport costs have been abolished. The strength of the New Zealand dollar, which has regained the value of the 20 per cent devaluation imposed by the Labour Government immediately it took office in 1984, has bit farmers and other exporters. Prices received for exports now

give farmers a much lower return in local currency, lead-ing to demands for a further devaluation. Mr Lange said recently it would be irresponsible to bring back subsidies for farmers,

which would only prolong the country's economic problems and undermine recovery. Mr Douglas claims that only

incomes were unrestricted.
Continued high interest rates,
which have failed to fall as Mr
Douglas promised, are posing
considerable problems for all sectors however. The farmers' agitation

heightening concern in this area, and it may well be that within the next few months the Government will have to take some steps to bring them down,

backed Rural Bank are in a

some criticism by claiming that

some of the 300 are inefficient

farmers who would be in trouble even if their debts and

interest payments were wiped

advance, he said, that the special

payments would end and should

have made some provision for

There is no doubt that some

of the unrest and agitation from

within the farming sector is

being encouraged and even

orchestrated by the Govern-ment's political opponents, but

that is not to say the farmers do not have real problems.

generally received much sympathy in the cities, where wage earners point to the long

freeze they endured under Sir

Robert Muldoon while farm

The farmers have not

Farmers knew well

despite its reluctance to inter-fere in the marketplace.

### **Botswana throws out ANC** Zaire accused of human rights abuses

By Michael Holman

AMNESTY International, the London based human rights organisation, has accused the Zaire government of torturing and killing its opponents, rounded up in mass arrests.

A report due to be issued today on conditions in the north east of Shaba, Zaire's important copper and cobalt mining province, says the hundreds of civilians were arrested after a rebellion in the town of Moba in November 1984, a "significant number" of whom were either tortured or killed.

### Britain 'will help Kuwait if Gulf war widens'

BY KATHY EVANS IN DUBAL

UK Foreign Office Minister of State, Mr Timothy Renton, said yesterday that Britain would extend military help to Kuwait if the Gulf war widened to include Kuwaiti

Speaking at a press conference in Dubai on the final leg of a Gulf tour, Mr Renton said "Kuwait knows that were they to ask us for specific military equipment or assistance, we would consider the request quickly and sympathetically."

The statement caused surprise in the region, though Brithe declaration came in the context of similar assurances of support from the US and Euro-Mr Renton said: "In the last

few days Britain and the US have been saying to Iran that any extension of this war will be viewed very seriously

Britain was once the "pro-tecting power" in the Gulf, and on the ma 25 years ago dispatched troops Baghdad.

to Kuwait when it faced an invasion by Iraq. Until 1971 it was obliged under the terms of a friendship treaty to come to Kuwait's assistance if its territory was thousand.

Mrs Aquino yesterday formed a Presidential committee on human rights headed by Mr Jose Diokno, a staunch nationalist and a former senator, who was jailed by deposed Mr Marcos.

The committee will look into

The committee will look into reports of abuses against political prisoners, kidnappings

and other human rights viola

tory was threatened. Britain still maintains a force of about 100 advisers to the Kuwait armed forces, although their day-to-day activities are strictly limited by agreement. Our Middle East Staff writes: Iraq claimed yesterday to have destroyed one of Iran's main oil refineries at Isfahan, over 250 miles from the international border. The attack, if confirmed suggests that Iraq may again be taking the war to key Iranian economic installations in retaliation for Tehran's successful offensive in the Faw peninsular. For the past five weeks Iraqi offensives have failed to dis-

lodge the Iranians.
Iran said yesterday that its artillery had damaged the Iraqi naval base at Umm Qasr, 30 miles south of Basra, and that its aircraft had attacked targets on the main road from Basra to

very large damages

The commission is suggesting that such claims would only be

allowed where the two parties could be shown to be acting

together.

• An absolute limit on non-

economic damage awards -punitive judgements which are

punitive judgements which are designed to deter defendants, or to compensate for "pain and suffering" in the victim. These awards have reached very large sums in the US, where the average award of damages is now running at more than \$1m \( \) Limits on attorney's fees.

which at present are linked on

a "contingency" basis to the size of the awards they are able

sources.
The president is expected to

submit legislation to Congress based on the Commission's pre-

The current account, which

in January, housing starts

for fees.

### Six more die in fighting at Vaal Reefs gold mine

BY JIM JONES IN JOHANNESBURG

A FURTHER six black minits have died in South Africa in fighting between Khosas and Basothos at the troubled Vaal Reefs gold mine amid union allegations that the mine's management instigated the so-called faction fighting. The circumstance of the NUM. The allegation has been strend. The company said 1,250 men resigntd from the mine yesterday.

Elsewhere, two industrial interesting the so-called faction fighting. six mtn were killed and an-other eight serously injured as fighting spread to the mine's west division late on Monday which claimed eight lives at night. This followed fighting Vaal Reefs' east division on Sunday.

According to shalt stewards of the 250,000-strong National Union of Mintworkers (NUM), the mine's management used Basotho team leaders to start tory workers who had been fights which would be seen as striking since March 4 in sup-inter-tribal but which was in port of wage demands.

Elsewhere, two industrial companies involved in industrial disputes have dismissed their entire striking black workforces. Haggie, South Africa's largest wire rope manufacturer, has dismissed 2,100 ment who have been striking in support of wage elaims for almost a fortnight. Gypsum Industries, the South African associate of BPB Indus-tries, has dismissed 200 fac-

### after pressure from Pretoria BY PATTI WALDMEIR IN LUSAKA BOTSWANA has expelled charge denied by ANC officials. Gaborone has come under

representatives of the African National Congress (ANC) from its territory, following intense pressure from South Africa, which alleges that ANC guerrillas have used the country as a jumping-off point for cross-border raids into South

The Government in Gaborone is understood to have reached an informal agreement with Pretoria that will rule out any future ANC military or political presence in Botswana. Previously, the organisation had maintained a two-man office in Gaborone, and it was

Gaborone in which a number of people were killed. South Africa's apparent ultimatum to Botswana is underwidely believed that ANC to create a buffer zone of guerrillas used the country as states bordering the republic a transit point when launching which have agreed to keep the attacks against the republic, a ANC out.

increased pressure from Pretoria to expel the organi-

sation since early January, when a landmine explosion

killed two whites in an area

near the Botswana border.

Following the raid, South Africa issued veiled threats of

possible military retaliation against Botswana, similar to

the lightning strike last June on alleged ANC safe houses in

## AMERICÂN NEWS

## Plans to reform liability system passed to Reagan

BY TERRY DODSWORTH IN NEW YORK paying out very little in costs, while third parties only remotely involved have had to EFFORTS to address the US's

liability insurance crisis have taken a further step forward with the presentation of a meet claims. sweeping programme of reclaims. The claims to President Ronald Reagan by a special commission under Mr Richard Willard, and a special commission under Mr Richard William under the Assistant Attorney General. The commission's report was delivered against a background of intensifying discussion over the limitations of the liability system in the US. Several states, including New York, are stepping up their drive to find a solution to the problem of sky-rocketing insurance pre-miums, which have forced many local authorities and some companies to begin

operating without any insur-ance at all. Among the remedies pro-posed by the presidential committee are:

A return to a less punitive

concept of fault, allowing only claims where a product or service could be clearly shown to have been defective. In recent years, companies have suffered heavy damages awards under the "strict liability" ruling, under which claims are fre-

under which claims are frequently awarded without fault being clearly proven.

O Restrictions on "joint and several liability" awards, under which parties which only have a remote connection with an be difficult to push reform through Courses. a remote connection with an injury can be held liable for the full amount of the damages because of their ability to pay. injury can be held liable for the through Congress, partly full amount of the damages because of their ability to pay.

In many cases, the "joint and legislature, and is keenly several liability" concept has opposed to limits on continged to initiators of an accident

THE US current account deficit deficit.

for 1985 was a record \$117.66bp said.

up from \$107.36bn in 1984.

was a record \$30,5000 on a The current account, which balance of payments basis in includes merchandise, services and financial transactions, is with a revised deficit of \$29.3bn in the third quarter, according US international trade balance.

to the Commerce Department. • US bousing starts fell 3.5 per Reuter reports from Washing- cent in February to a season-

m. ally adjusted annual rate of The current account deficit 1.985,000 units, the department

The department said much of rose a revised 9.2 per cent to the increase in the October-December quarter was due to a rise in the merchandise trade 15.7 per cent.

was a record \$36,56bn on a

### Mulroney set to press Reagan on acid rain

By Nancy Dunne in Washington THE ISSUE of acid rain overshadowed yesterday's scheduled meeting between President Ronald Reagan and Canadian Prime Minister Brian Mulroney one year and one day after they promised a close working relationship at the "Shamrock summit" in Quebec city.

A special US-Canadian report delivered in January by two envoys appointed by the leaders a year ago recom-mended a five-year, US\$5bu programme to develop ways to burn coal more cleanly.

Acid rain, much of which emanates from the coal-burning plants of the US Midwest, has caused extensive damage in Canada, and relations between the two neighbors bours may well depend on President Reagan's willingness to act.

to wring out of the courts. The commission is proposing the establishment of a sliding scale ness to act.

The Reagan Administration and US industry have urged delay, insisting that more research is needed. • Restrictions on the ability of White House officials plaintiffs to seek damage awards from several different

White House officials refused to say before the meeting whether the President would agree to a scheme. If he does not, he will have to contend with a new more expensive clean-up plan formally introduced in the senate yesterday by Republican Senator Robert Stafford, chairman of the Senate environment and public works committee.

The bill, with an estimated cost of \$60n a year, would regulate power plant emissions as well as those of cars and tracks

THE interim Government in Haiti has started work on rewriting the country's constitution, with the aim of holding presidential and general election in North the start of the next year, according to Haitian Government officials, writes Canute James in Kingston.

The Administration's time table suggests a new president and government would take office in January 1988.

Lt Gen Henri Namphy, head of the military-civilian interim Administration, has promised elections, but has not publicly announced a date.

## UAW suffers defeat at Honda plant

support among the workforce, came when the UAW withdrew its petition for a union-representation election at the plant.

WELL-RONED survival

instinct is often more useful than driving ability to the group of 85 truck drivers who spend

each winter ferrying supplies from Yellowknife, capital of Canada's Northwest Territories, to a gold mine 410 miles to the

north east. Travelling along an ice road

which crosses more than 30 frozen lakes the truckers are

United Auto Workers

(UAW) hat the US subsidiary of the Honda motor company has suffered a crushing defeat after a rugged tactical battle over the last six months.

The victory for the company, which has consistently conhich has consistently conhich has consistently conhich has a wider significance because it had boped to gain recognition

For the UAW, the defeat also has a wider significance because it had boped to gain recognition

a first step in an archieve 30 per archieve 30 per

A REY organising drive by the While the union insisted that Although some of the new eligible workers to United Auto Workers' Union it would continue with its Japanese plants being established in the US have already about obstruction of the Honda motor company pedalling on the elections decided to accept union representations are the sentences. Suppose the property of the propert Although some of the new eligible workers to obtain the

unquestionably throws it on to sentation, several companies suspension of the membership the defensive at a time when have avoided unionisation, a vote, and appealed to the it had claimed a wave of support moving in its direction. eroded UAW membership as Board about Honda's tactics. but this request was turned

down.
The union now says that it at Honda as a first step in an organising campaign at other Japanese-owned motor industry plants.

The third how says that it is the distribution of the distribution

## vesterday gave the Philippines gave the Philippines Government about 2,300 pages of documents believed to provide important clues to the whereabouts of the hidden wealth of deposed President Ferdinand Marcos. The documents were im-

By Reginald Dale, US Editor, in Washington

THE REAGAN Administration

**US** hands

over papers

on Marcos

wealth

pounded by US Customs from Mr Marcos and his party when they fied to Hawaii on February

The documents were handed over at the state department in a cardboard box by Mr Michael Armacost, Under-Secretary of State for Political Affairs, to Mr Jovito Salonga, head of the Philippines Government commission seeking to recover billions of seeking to recover billions o lions of dollars throught to have ben illegally stashed away by Mr Marcos during his 20 years

Mr Marcos during his 20 years in power.

Mr Salonga said that he hoped the documents, which he had yet to evaluate, "will give us a fair indication of the extent of the plunder of the nation's wealth" under the Marcos régime.

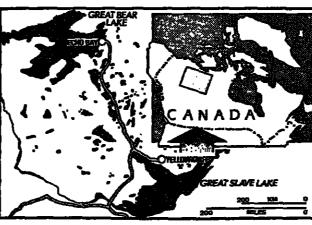
He estimated that Mr Marcos had taken between \$5bn (£3.4bn) and \$10bn out of the Philippines, with "the greater bulk" now in Swiss bank accounts.

accounts.
The State Department is also expected to give copies of the documents to a House of Representatives sub-committee that has been investigating the extent of Mr Marcos's holdings in the US.

The committee, which expected to receive the papers later yesterday, has said that it will

make them public.
The transfer of the documents to the Philippines Government came one day after a New York Court rejected a bid by Kr. Manager associated ass ted a bid by Mr Marcos's associates to prevent their release. the documents to the new Judge Dominick Dicarlo of the US court of International Trade said that if the US reneged on its promise to release the documents to the new Aquino Government, "foreign relations of this country with an important and strategically critical far eastern nation may be adversely affected."

Eisewhere in New York, attorneys for the Aquino Government are moving to freeze \$350m in all of the control of freeze \$350m in alleged assets of the Marcos family, including four Manhattan properties and a stylish Long Island estate.



advised not to wear seat belts, in case broken ice forces them to leave their 20- and 30-ton trucks in a hurry. The only markings on the "road" are fluorescent orange ribbons warning of weak roots in the ice ing of weak spots in the ice. The drivers run the constant risk of being stranded in fierce Arctic storms, with only the heat from their vehicles' engines to protect them from outside tem-peratures as low as minus 50 degrees Celsius. Names like Desperation Lake, Courageous Lake, Languish Lake and Defeat maintenance engineer who is Four are in operation from

vinds."

Lupin route is above the treeThis has been an especially line, where winds are strongest, bad year for Mr Tambiyn and his maintenance crews. Two demanding on men and heavy trucks and trailers have machines. The company has

the road open because of the

meet its target, as it has each year, of sending about 800 thaw puts the road out of service in Mid-April. About 3.5m gallons a year of diesel fuel is the largest single

About 3.5m gallons a year of eight inches.

diesel fuel is the largest single A helicopter is used to guide will continue, item carried by the trucks. a grader along the bleak Other loads include lime, steel northern section of the route the high pay, others keen to get Other loads include lime, steel normern section of the balls and rods, cement, motor above the treeline. With low away from personal problems vehicles, machinery — every-fuel stocks at the mine giving in the south, shrug off the thing that a gold mine needs. the job an unusual urgency, dangers and hardships, Asked for only 14 cents a pound. With 1m lbs of salt needed at the Only food is still flown in. Only food is still flown in. this year's road took only a what his worst experience on Ice roads have been used to record 10 days to build.

supply remote mines and other substantial.

Supply remote mines and other 1 we permanent compa, each individual recalls the almost Mr Hugh Tamblyn, a genial communities in Canada and the sleeping up to 28 people, are irresistible temptation one former Canadian Air Force Soviet Union since the 1950s, opened along the route to pro- night, when "someone sug-

Echo Bay's Vice-president for Yellowknife this winter, but Transportation, recalls that Echo Bay claims that its road "people said we couldn't keep is the longest yet built. Because almost half the

it is also one of the most

Lupin by the time the spring sufficient to support a fullyladen truck. A Hercules air- that the weather patterns of craft needs another four to recent years, with storms lasteight inches.

## Dangerous way to make a living BY BERNARD SIMON, RECENTLY AT DRY BONES CAMP, NORTH WEST TERRITORIES

vide truckers and maintenance crews with food, fuel and accommodation. The female cooks at the camps are among the best paid workers on the road, earning up to C\$16,000 from early January to mid-April in return for 16-hour days, seven days a week. Stella's peanut butter cookies are among the attractions of a stop at Dry Bones Camp, the first stop after Yellowknife.

Waves created under the ice by the forward momentum of a 20- or 30-ton truck with its heavy trailer post a special hazard. As one trucker put it: "When you come to the edge of the lake, that water's got to go

Only one truck — a fuel tanker—has fallen through the ice in the past four years. The driver jumped clear and the vehicle was later winched out of the lake. Other rules of the Lupin road are designed to protect drivers Engines are never switched off. Fuel tanks must be filled

at each camp, giving drivers up to three days of warmth if they are stranded in a storm, They are advised never to leave their vehicles. Trucks are regularly searched for liquor and drugs. With these precautions, and four years ago. The company's managers cross their fingers ing no longer than three days, will continue,

Two permanent camps, each individual recalls the almost

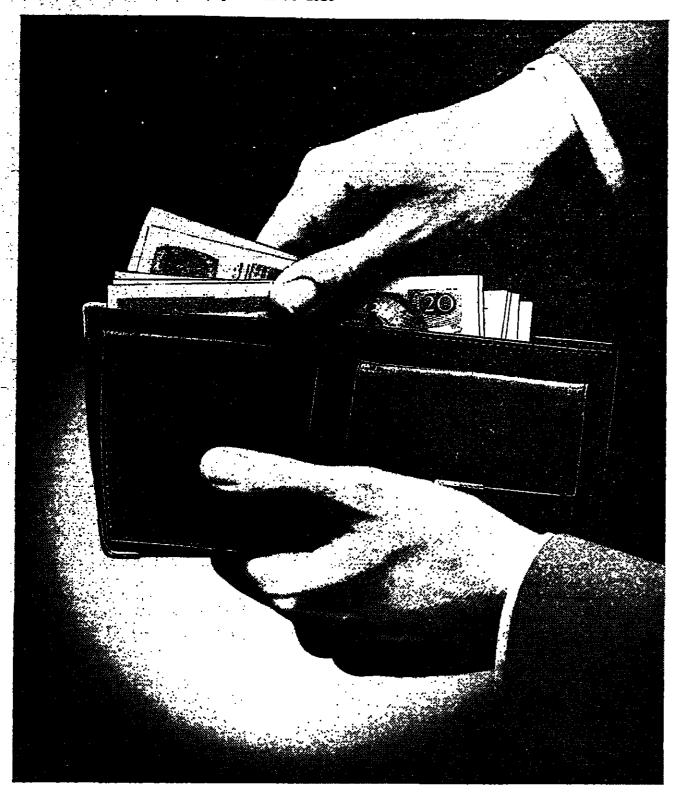
### For Echo Bay Mines, Canada's third largest gold producer, the road is a construc-tion dream come true. Its Lupin with winds howling at speeds of up to 60 mph have closed 190,000 ounces of gold a year, was built five years ago entirely with materials flown in by two with materials flown in by two commany aircraft and trucks. tried without success to swap information on ice roads with the Russians. Haiti poll planned for mine, which produces about 190,000 ounces of gold a year, Construction of the winter road, which begins in mid-December, consists mainly of **US sets record annual** November next year at all that Echo Bay will again ploughing a way through the meet its target, as it has each year, of sending about 800 gravel routes between the truckloads from Yellowknife to lakes. Three feet of ice are four years ago. The company's company aircraft. When the bullion price dipped towards \$300 an ounce, Echo Bay needed to find a deficit on current account

Lake are grim reminders of the

hazards facing the careless.

cheaper way of supplying the mine. The road has saved the company more than C\$4m (£2m) a year in transport costs since it was first built in December, 1982, Instead of flying in salt from Edmonton at a cost of 85 cents a pound, trucks now carry it in

mine each year, the savings are



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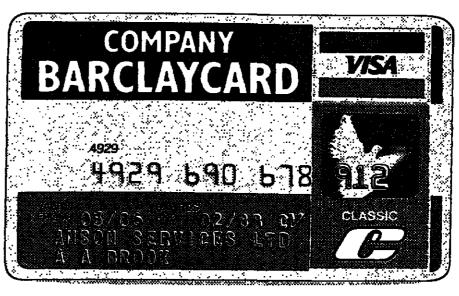
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given all our typewriters the with and improve



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JAN PL

The new ET112, for example, is a very good, simple electronic typewriter.

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## **US-Japanese** chip industry leaders meet

BY LOUISE KEHOE IN SAN FRANCISCO

US AND Japanese semi-conductor industry leaders took a significant step toward resolving the long-running chip trade dispute between their countries at a secret, informal meeting in Los Angeles. US manufacturers have long claimed that the Japanese semiconductor market is virtually closed to them.

thally closed to them.

The meeting was attended by the chief executives of 11 of the world's largest semi-conductor manufacturers—five American and six Japanese companies. Intel, a major US chin maker described the teller chip maker, described the talks as "constructive and fruitful."

The Los Angeles meeting, held last weekend, could mark a turning point in US-Japanese high-tech trade relations, according to US industry analysts. The participants represented nearly 90 per cent of the world's total semi-conductor production capacity. It follows closely upon news that US and Japanese trade repotiators are close to agree-

value. The likelihood of such an agreement has already caused concern among officials at the

dent of National Semiconductor years and despite Japanese mar-and an outspoken critic of ket liberalisation policies, the Japanese trade practices, said US market share has not in

America, a sidiary of Fulitsu of Japan, is to acquire Burroughs' imaging systems division (ISD) for around \$20m (£13.7m). The Burroughs subsidiary, based in Connecticut, sells facsimile equipment. It had revenues of \$50m last year. Fujitsu was the major supplier of facsimile products to the division. The acquisition is division. The acquisition is expected to become effective

the Japanese to address that issue," Mr Sporck said.
The apparently cordial discussions in Los Angeles raise hopes for a US-Japanese negotiated settlement of the semi-conductor trade dispute. Officials from both countries are due to meet again in Wash-

on April 1.

ington later this month for the latest round of negotiations stemming from a US industry trade complaint. ment upon a global price and production cost monitoring system designed to prevent the dumping of Chips below fair Trade complaint.

Until the Los Angeles meeting, there was little hope for progress on the key issue of Japanese market access. US industry representatives have said that Japanese proposals were "self serving"

oncern among officials at the
US suppliers have held a 10
per cent share of the Japanese
chip market for the past 10

## Japanese trade practices, said the Los Angeles meeting focussed "one hundred per cent" upon the issue of opening the Japanese market to American suppliers. "There were indications of a sincere effort on the part of a sincere large, said Motorola, the Chicago electronics company whose chairman, Mr Robert Galvin, toasted the unusual gathering. Tokyo sees sharp rise in

exports of machine tools

BY CARLA RAPOPORT IN TOKYO

EXPORTS of Japanese machine tools continued to rise sharply in January and February, despite the yen's rapid appreciation against the dollar and other currencies.

According to industry statistics, exports of the top eight machine toolmakers climbed by about 19 per cent in January, against January of the previous year and 12 per cent in February compared with the previous year, (£47.42m.)

They point to high demand in Europe, particularly West Germany, where companies were trying to improve productivity and reduce labour costs. In the US, which accounts for 40 per cent of total exports, industry officials said that the increase was due to a rush to buy stocks before prices took into account the higher yen.

A third and almost equally important reason was the threat of export controls being

with the previous year, totalling Y12.2bn (£47.42m) and Y10.9bn respectively.

Total domestic and export sales in the period, however, were weaker compared with last year, showing that domestic demand was decreasing while overseas orders were advancing. Industry officials countries. As a result, they are attribute this year's export strength to several factors.

important reason was the threat off export controls being considered by Japan's Ministry of International Trade and Industry.

If such controls were introduced, the industry believes the each company would be scaled back according to market share in major foreign countries. As a result, they are anxious to achieve the highest possible market share.

Bank of Zambia | Ericsson wins to issue

promissory notes THE Bank of Zambia yesterday announced proposals to resolve its short-term external debt arrears through the issuing of promissory notes, Patti Wald-meir writes from Lusaka.

The proposals, affecting some \$400m (£275m) in arrears, or about half the total, have been put to over 100 of the country's largest creditors and received an encouraging response, say bank officials. The scheme, which excludes bank debt, will cover trade arrears and delayed personal remittances, such as end of contract gratuities.

All creditors will be asked to reconfirm claims.

Repayments will begin in 1987, The Bank of Zambia will issue a promissory note denominated in US dollars for each debt, with a single maturity date for payment of principal in full. Maturity dates will be spread over a nine-year period begin-ning in 1988. Zambia will pay separately an amount equivalent to interest at the rate of 5 per cent from the date of issue

until the date of payment of principal.

### \$17m contract from China

LM Ericsson, the Swedish telecommunications and information systems group, has won orders worth \$17m (£11.7m) to provide telephone exchange equipment for China, David Brown writes from Stockholm.

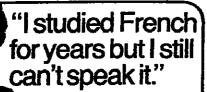
The orders are for six AXE The orders are for six AXE digital exchanges for Benxi, Fushun, Shenyang, Shenzhen,

Fushum, Shenyang, Shenzhen, the upgrading of an exchange in Guangzhou, and optical fibre equipment. Deliveries are to be completed by middle of next year.

Ericsson has marketed AXE exchanges in China since 1981 and has received 20 orders corresponding to about 250,000 subscriber lines. It delivered China's first digital exchange (to Beijing) and its largest (to Guangzhou).

Brown, Boverl und Cic (BBC) said it won an order worth around DM100m (£30.3m) for the planning.

(£30.5m) for the planning, delivery and installation of the world's largest gas tur-bine from Dutch utility Energiebedrijf of Amsterdam, Reuter writes from Mann-



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### WORLD TRADE NEWS

## EEC puts the pressure on Japan over 'imbalance' of Gatt benefits

THE EEC opened up another front in its campaign against Japan's trade surplus yesterday by demanding that the "imbalance in benefits" derived from world trade should be given priority on the agenda of new multilateral trade negotiations.

The General Agreement on The General Agreement on Tariffs and Trade (Gatt) was being imperilled by the ex-cessive benefits a small num-

ber of countries were taking from the Gatt system, Mr

Tran Van Thinh, the ECC ambassador, told the Gatt committee preparing for the new trade talks. Some countries had artifically infilated their production capacities. The subsequent flood of exports had

become a source of conflict distorting the free play of market forces. It was diffi-cult to envisage a new round of trade negotiations taking place without an assurance that the problem of the

imbalances would be tackled seriously, Mr Tran said. Mr Tran did not name Japan but his reference to countries which had generated trade surpluses of \$150bn (£103.4bn) over the four years to 1985 left nobody in doubt about the main

target for his barbs. Mr Tran was clearly speaking under instructions from Brussels. Last week the EEC foreign ministers called on Japan to state clearly what

it intended to do to "relieve the increasing strain its cur-rent account surplus is placing on the multilateral trade and payments system."

The Community is putting pressure on Japan in the runup to the seven-nation eco-nomic summit due to take place in Tokyo in May. But last week Japan complained to the Gatt council that Brussels had approved restric-tions on imports from Japan imposed against Gatt rules by Spain and Portugal. Japan also showed a new-found readiness to hit back

yesterday. Mr Tran's inter-vention led to a knockabout confrontation with Mr Kazno sador, which for the first time brought some animation to the Gatt preparatory com-

Referring ironically to the cri de coeur, the "sudden note of desperation" emanat-ing from "dark cellars of

concern" within the European Community, Mr Chiba said he could not see that Japan had anything to do with Mr Tran's account of "the black holes sucking in all the benefits" of the world trading

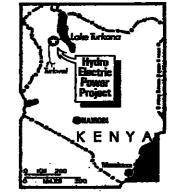
system. Some countries, which had worked hard at modernising worked nard at modernising their industries, had naturally benefitted from Gatt, but the Europeans could not expect Gatt to be rebuilt to counter

## Kenyan dam contract provokes criticism

KENYA's development philo- Government would have had to sophy is coming under critical scrutiny following the award of a \$205m contract to Spie Batignolles, the French conpay for the project based on an the end of April. Coface and Banque Française inflated overall contract price, international competitive Diplomats and aid officials in Exterieure, scrutiny following the award of a \$205m contract to Spie Batignolles, the French construct, awarded on partially concessionary terms, is to construct a 106MW hydroelectric dam on Kenya's remote Turkwel River. The project, one of the largest Kenya had on its books, attracted considerable international interest, and the deal has broken new ground for the French shall be international interest, and the deal has broken new ground for the French in its frankness, charges that the contract has been inflated well above its market value.

The price is "more than double the amount the Kenya is to present OECD donors with a double the amount the Kenya in double the amount the Kenya in preparation of a \$205m contract to Spie Batignolles, the French contract, and the contract, and the controversy that now surrounds it comes at the contract has been inflated on the memoran-inflated, but maintain that franked contract price, make the Turkwel contract been inflated, but maintain that franked contract been inflated, but maintain that franked contract been inflated, but maintain that franked has been allowed by and occurrent that provides guidelines for development special and service its intention to apply new ground for the French shall be project, it says. The Turkwel contract been inflated, but maintain that franked packages secured for the funding package secured for the funding package secured for the funding packages for Turkwel and substitution of apply new packages for Turkwel and and did officials in Mairobi argue that not only has the Turkwel and substitution of a funding package secured for the funding packages for Turkwel and the Contract packa international competitive tender," claims the memoran-

tion for a meeting in Paris at French export credit agency component, coupled with the



clean and legal affair," it states. Kenyan officials reject these accusations, claiming the contract was fairly negotiated. "There are very few countries that would have agreed to set aside \$200m for a single pro-ject," Professor George Saitoti, the Finance Minister, said in an the appearance of a normal, interview.

### SIEMENS

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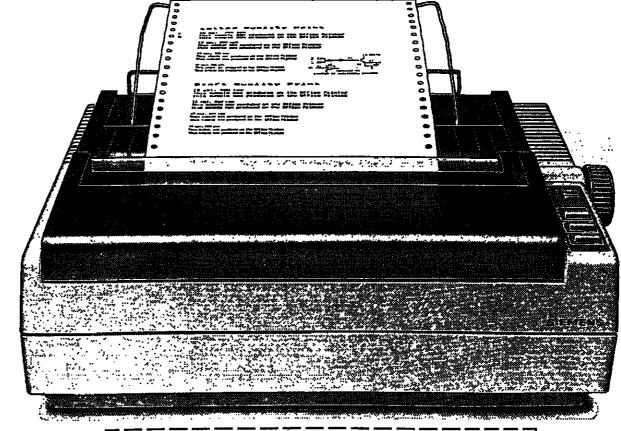
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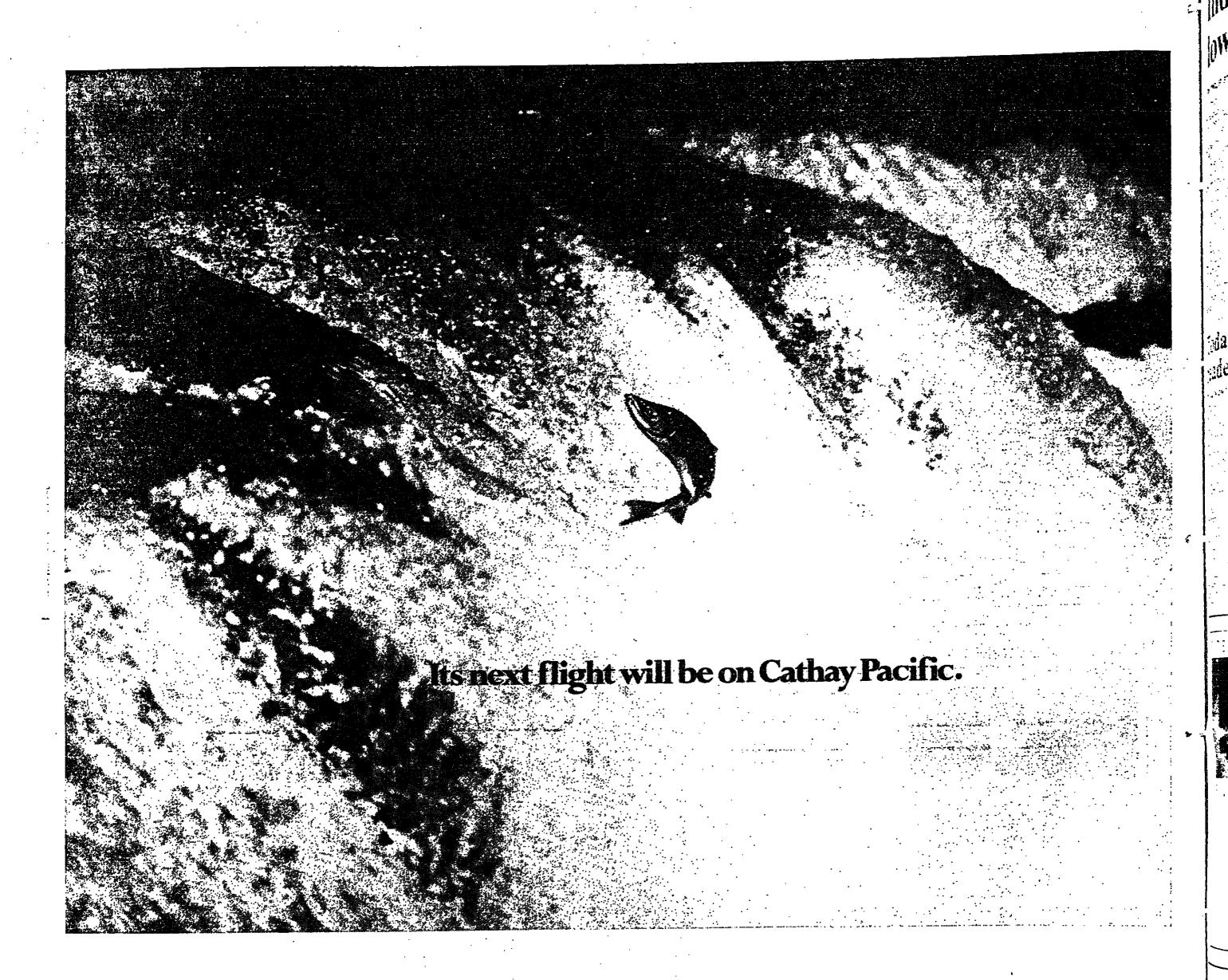
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## Industrial output shows | N. Sea tax overhaul lower rate of growth

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

so weakened in recent months.

Official figures released yesterday show that manufacturing output rose by about % per cent in the three months to January, compared with the previous three months, to stand 2% per cent above the com-

(CSO), which compiles the figures, said that if the impact of the miners strike, which ended a year ago, was: excluded the annual growth rate appeared to be around 2 percent or stightly less. cent or slightly less.

That compares with a rate of

BY RAYMOND SNODDY

Today, Mr Eddie Shah's daily news-

paper, was read by 6.6 per cent of the population according to reader-

ship research.

The figure was a significant drop

from the 92 per cent recorded in the first few days, although the inthe first lew days, among the initial high figure can almost certainly be attributed to curiosity value.

AGB Cable & Viewdata is carrying and datailed research on newspaper

out detailed research on newspap

The 8.6 per cent figure for Today

readers, says survey

the panel read Today at least once. ing about 1m copies a day.

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THE PACE of growth of Britain's slowdown set in around the middle cent above the comparable period a manufactuling output appears to of last year although there was have slowed. The upward trend of overall industrial production has although the beginning of the comparison, the year-on-year the comparison and the winter. The CSO figures include a "bias

adjustment" introduced two months ago to compensate for a trend over the past two years for its index of manufacturing output initially to under-record actual rises in produc- fore recovering the following

parable period a year earlier.

The Central Statistical Office duced, however, statisticians have found that they have had to revise found that they have had to revise for downwards the output figures for the latest months, indicating that some of the previous optimism over manufacturing output was mis-

Overall industrial production more than 3 per cent in the early over the last three months was part of 1985. Officials believe that a broadly flat to stand about 4% per

the comparison, the year-on-year rise was only around 1 per cent.

Production rose sharply in January but that was due to the recent erratic trend in North Sea oil output which fell sharply in December be-

The CSO said that its index of industrial production stood at 109.4 (1980-100) in January compared with 107.7 in December, leaving it 2 per cent above the previous peak in output in 1979.

The manufacturing index, which is still 5 per cent below the levels in the first half of 1979, stood at 104.4 (1980 = 100) in January compared to

## Today captures 6.6% of Sealink warned of Zeebrugge

It is believed that Today's readership is coming equally from new newspaper readers and existing titles. Its readership profile so far shows a slight bias towards 15 to 34-

year-olds and the top three social The authority claimed that in talks with Sealink in January it had readership for a 13-week period covering the launch of Today. A panel of about 1,000 people keep a diary each day on the newspapers on full week is likely to show a pointed out that long-standing rules required new customers to give at least five months' notice of plans to use the harbour and that no authorisation could be given before the lower readership penetration than beginning of each year. the first. Returned copies are now

> He added that this only applied on Zeebrugge-Dover sailings.

☐ MAZDA CARS (UK) is launching an attack on Porsche's strong UK

Its price of £13,995 including taxes underline the strategy now being adopted by most Japanese producers of taking their cars up-market to maximise profits while constrained by import quotas.

entertainment group, has arranged a £40m sale and leaseback of its fleet of 13,000 vehicles, one of the largest in the country. The revolving facility was arranged by Klein-wort Benson and is jointly underwritten by Banque Paribas.

□ RADIATION Dynamics, a UK subsidiary of Monsanto of the US, has been bought out by its manage ment with debt and equity financ-ing provided by Bankers Trust Company. The company, which makes linear accelerators, is based in Swindon, Wiltshire, and has a

### access delay IN ITS first full week of production The daily readership of 6.6 per cent THE HARBOUR Authority at Zee compares with 6.5 per cent for the Daily Telegraph and 11.3 per cent for the Daily Express.

brugge, Belgium, yesterday became involved in the row over access for British Sealink ferries. It revealed that its rules prevented any new company beginning sailings to the port from Dover at least until January next year, Ivo Dawnay in Brus-

was the daily average for the period becoming a factor, particularly from March 8 to March 14. Over the when the newspaper has been de-While emphasising that the authority was ready to reopen talks with Sealink, Mr Maurice Michiels, course of the week, 16.5 per cent of livered late. Production is averagthe harbour's managing director, insisted that these requirements could not be waived. The rules were intended to give existing custom the time to reorganise their schedules to cope with competition.

market position with a new version of the Mazda RX7 sports car. It goes on sale today.



## urged to encourage maximum extraction

BY MAX WILKINSON, RESOURCES EDITOR

A COMPLETE overhaul of the North Sea taxation regime is needed to encourage the maximum possible extraction of oil, says a report from the Surrey University Energy Economics Centre.

It says the present tax system is unlikely to give appropriate incentives to oil companies to spend extra money to extract more oil from reservoirs after conventional extraction methods have been

These enhanced oil recovery techniques include the injection of pressurised steam and the injection of various gases to make the oil more volatile. Underground combustion and the injection of chemicals improve the flow of oil out of

The authors, Dr Danny Hann of Surrey University and Mr Alan McGillivray of Dundee College of Technology, suggest that between 225m tonnes and 490m tonnes of additional North Sea oil could be extracted using those techniques. They say that might be worth £22bn to £47bn, although some estimates have suggested figures of about half those amounts.

They say that several proposals have been made to modify existing tax arrangements to give oil compa nies a greater incentive to invest in enhanced recovery. This is because the existing tax system, based on royalty payments, petroleum reve nue tax and corporation tax, would hit the profitability of extra invest-ment for enhanced recovery. The Government might wish to

give special incentives, but the au-thors say it would be difficult to ensure that the concessions were accurately targeted. This is partly because in any given field it is diffi-cult to be sure exactly how much production is attributable to special extraction techniques. Those difficulties would be over

come if the Government changed to a new form of "rent tax" in which the total amount of tax paid was based on profits. They say the advantage would be

that the tax system would no longer distort companies' decisions on how to allocate their investments. Enhanced Oil Recovery in the UK

because the HP 12C is pre-programmed North Sea - Some Economic Con-siderations, by Danny Hann and Alan McGillioray, Surrey Energy Economics Centre, Discussion Pa-per No 7 (Tel: 0483 571281). to solve your problems. Now the HP 12C saves you money too. A substantial price reduction of £20 makes it more cost-effective than ever.

### Murdoch dispute talks

tween Mr Rupert Murdoch's News International and leaders of the five newspaper unions and the Trades Union Congress (TUC) in an at-News International is consider empt to reach a settlement of the ing the position and a further meet

dispute over the company's new printing plant at Wapping, east Lon-Over 5,000 print workers have been dismissed by the company after voting to strike.

A statement from the TUC after the talks said that the unions had responded to the company's views

ing is likely.

Mr Gerald Kaufman, Labour's home affairs spokesman, yesterday criticised Mr Murdoch as a "disgraceful employer.'

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## Market for energy services 'stifled by lack of finance'

ropean Community, but the public sector, with half of the country's

building stock, has shown least ac-

tivity. Barriers highlighted by the

to sign a contract, "involving over-heads unsupportable, even for well

purchase of energy services. "Stan-dard contracts must be produced to

speed the entry of third party financing into the public sector,

Throughout the EEC lack of fi-

stacle to small companies, such as

and takes no risks."

FINANCIAL TIMES REPORTER

A POTENTIAL European market energy services industry in the Eu-£52bn is being stifled by bureaucracy, lack of finance and ignorance, a report to be published this summer

In Europe only 10 such compa-nies exist. In the US the concept, termed third party financing, has grown rapidly from 20 companies in 1980 to over 150, represented by their own trade association, and collectively installing hundreds of millions of dollars in energy saving equipment and materials.

The concept is simple. An outside energy service company" gvaluate: the level of energy savings possible in a building or industrial process, makes the necessary investment and takes a share of the energy sav-

According to Mr Ian Brown, research director of the Association for the Conservation of Energy and author of the report commi the Americans, third party finance is seen as a promising way of over-coming the barriers to energy sav-ing investment, such as shortage of

## **BL** units still under scrutiny

By Kenneth Gooding, Motor Industry Correspondent

THE BOARD of BL, the stateowned vehicles group, met for three hours yesterday but did not make any recommendation to the Government about the various offers for Leyland Trucks and the Land

capitalised energy service compa-Indications are that the board might have been able to make a decision yesterday but for the late ar- Illogical treatment by the UK rival of proposals about Leyland Trucks and its spare parts opera-tions presented on Monday by Lan-Treasury of third party financing as public borrowing, when the public sector makes no initial investment cashire Enterprises (LEL), the jobcreation agency funded by Lan- Complexity of guidelines for pubcashire County Council. lic sector tender documents for the

LEL will not give details of the members of the consortium which will put up the money for the Ley-land companies but, as it was encouraged to become involved by the Leyland unions, some union cash is

nance was found to be the main ob-Mr Jim Mason, chairman of LEL, is also on the board of Unity Trust, the trade-union-backed bank that has offered to provide some money for the consortium which hopes to organise a buy-out of Land Rover. Unity said, however, that it had not been approached about the possible offer for Leyland Trucks.

## Offers for | Labour pledges to upgrade pensions and reinstate Serps

BY ERIC SHORT

(Serps) broadly in the same terms as it now is, Mr Michael Meacher, Labour spokesman on social ser-

vices, said yesterday. He told delegates on the second day of the Financial Times pen-sions conference - Pensions in 1986 mended it to the Labour Party or to most sections of the pensions indus-try. If Labour was elected at the next election it would immediately block the implementation of the

Mr Meacher accused the Government of making a two-pronged at-tack on the elderly of the country. First it had reduced the value of the basic pension by revaluing it in line with prices rather than earnings. Second, it was reducing the benefit

Mr Meacher said that the next Labour government would therefore restore the earnings uprating for basic pensions - an increase in present-day terms of £4 a week for a single person and £6.50 for a married couple - and would reinstate the broad provisions of Serps. He attacked the Government's argument that Serps could not be af-

forded in the next century. In his opinion there was no conceivable case to be made that Serps was un-Mr Meacher stated Labour's strong objections to the introduc-

claimed that they would provide an

"mibe" - the proposed extra contri-bution paid for five years to all per-sons taking out personal pensions

This, he stated, was an unfair charge on the national insurance fund, a burden on good employers would have a damaging effect on

THE NEXT Labour government step in the right direction towards would reinstitute the state earn-reducing state intervention and extending personal choice. He reiterated the institute's view that Serps

should be phased out.

Mr Rogers felt that the fears in the pension movement of mass defections of employees from company schemes into personal schemes were unfounded.

- that there was nothing in the 1986 Mr David Wilkie, partner in Social Security Bill that com- R Watson and Sons, told delegates that the current position of pension funds could be anything between

### FINANCIAL TIMES CONFERENCE

**Pensions** in 1986

deficit - the figure depended entire-ly on the definition of surplus. He explained to delegates that the measure of surplus depended very much on the funding target adopted by the particular pension arrangement and the definition of the value of the underlying assets.

Mr Wilkie discussed methods of funding pension schemes ranging from no pre-funding to maximum funding at outset. No funding re-sulted in the massive deficit and the maximum funding in a very large

Mr Edward Johnston, the governinadequate pension compared with the Serps scheme. The protection had assumed that 500,000 employfor the employee would still be in- ees, all aged under 40, would come adequate despite the current moves out of company final salary schemes and take personal pensions when he had made his calcusition to the 2 per cent lations of the national insurance contribution rebate, to be applied under the new contracting-out arrangements for Serps.

He confessed to delegates a nagging feeling that he had underestimated the likely efforts from pen-

The other speakers, Mr Philip Bennett, pariner designate at Slaughter and May, and Mr Dennis Blair, managing director of Wel-beck Pension Services, discussed Mr Parry Rogers, chairman of the Institute of Directors, expressed the effects of the 1985 Social Security Act. – an act described by Mr eriment pensions proposals as a Blair as poorly drafted.

### Call for partnership deal with unions

By Philip Bassett, Labour Editor

LEADERS of the National Union of Mineworkers (NUM) are calling for a new partnership between the unions and the Labour Party based on a firmly socialist programme and rooted in a wholesale reappraisal of employment law. The NUM's call comes in its con fidential submission to the Trades Union Congress (TUC) in advance of its conference today on future la

bour law. The miners' evidence calls for a number of positive rights including the right to strike.

The NUM's lengthy, detailed submission is among the best of a TUC consultative exercise which has produced a series of thoughtful, im-

pressive analyses. The union makes a number of cathing attacks on the "new unionism" – the pragmatic, market-based form of trade unionism, which re-jects the notion of class as a motirating force. It is best exemplified by the EETPU electricians union although the NUM makes no specific mention of any individual union.

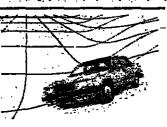
It says that some unions have sought to redefine the unions role as instruments of change to bring about a fundamental shift of power in society, to one "which would see trade unions as pragmatic organisa-tions without political objective and prepared to deal evenhandedly with governments of either political

As long as there were people more concerned with vested inter-ests or of treating unions as some kind of commercial undertaking, and while the union movement was more content to occupy the "middle ground" than to revert to its traditional position as a vanguard for working class aspirations, then attacks on union rights would continue, the NUM said.

It added that the trade union movement was not a commercial enterprise to be packaged and sold to its members. It was almost an insult for the TUC in its document on the law "to suggest that trade unions must prove their fitness to play a continuing role in the future."

The union's document makes clear a preference for no trade unionism at all rather than unionism of that kind.

Employers were following a fully developed strategy within industry of encouraging breakaway organi-sations and promoting non-union-ism. Part of the practice of so-called "new unionism" had been the sign ing of strike-free deals.



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### MANAGEMENT

THE first trial cars will be put together by the end of this month at Nissan Motor Manufacturing (UK)'s low-slung sky blue and white assembly plant in the north-east of England. By July the first of the mid-sized four door Bluebirds for the showroom are due to roll out

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into the daylight.
It is less than two years since the buildozers and dump trucks moved onto the flatlands near Sunderland airport. In that period, it has become no clearer whether the Nissan plant represents a short lifeline of a job-starved and depressed area of the UK, a catalyst for change in the British motor industry or a backdoor into the EEC that threatens the survival of, among others, Austin Rover. ot, among quiers, Austin Rover.
Whatever the long term impact of Nissan, the setting up of the initial £50m assembly business has so far been an object lesson in decision-making which provides an illuminating contrast with the norm in Europe's car industry.
"There was no blueprint from

"There was no blueprint from Nissan. We are all keen here to evolve something that is our own," says Ian Gibson, director of purchasing and production control. "We've had 18 months to hire people and get the plant running. When we started we didn't have an order form. We didn't have an order form because we didn't really have a commany." company."

Gibson, a 39-year-old former

Ford manager largely respon-sible for installing the Escort lines at Halewood, Merseyside, in the late 1970s would have preferred an extra nine months. The timetable did not allow it. "It wouldn't have taken much to knock us off the programme. We've survived on the quality of people and the thoroughness of Nissan organisation." And very long hours.

month.

Some 180 full-time Nissan personnel had been hired by the middle of last month out of the eventual workforce of 480 to be employed at the 24.000 cars a year assembly site. The balance, mainly direct production workers, are being hired now.

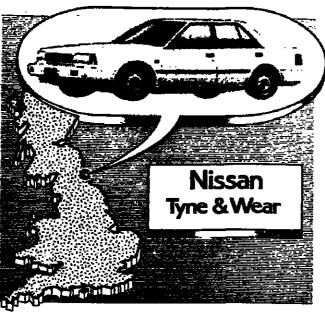
Aiready a distinctive decision-making structure has evolved

making structure has evolved which will form part of the bedit moves into full scale manufacturing. (This next 100,000 car a year production stage has yet to be announced but the size of the existing main assembly hall and paint shop and the quality of senior personnel indicates of senior personnel indicates They each have a senior the personnel indicates They each have a senior controllers.

In all there are about 20 semi-permanent Japanese at Wash-with a staff of four at ward facing jobs are in the hands of the British directors. They each have a senior controllers.

In all there are about 20 semi-permanent Japanese at Wash-with a staff of four at ward facing jobs are in the hands of the British directors. Decision-making has been justments will have to be made kept deliberately loose, mirror-like their particular side of the busi-phase from the off.)

Autocratic decisions are out-



## Nissan UK sets its own style

of furniture.

Below this level there is a

typical car plant strata of one manager each for the body shop,

average of two managers report-ing to each director. All these

The engineering department contains engineers, and senior engineers and all other administrative areas like finance and

personnel have controllers and

managers are British.

BY NICK GARNETT

unwritten rule is that no meet-ing comes to a conclusion unless everyone, allowing for some variation of thought, agrees. Nissan M M(UK) has one managing director. Toshiaki The quality assurance manual for supplies was only ready at the end of last year and the company's guide for suppliers is only due off the press this paint shop, production control and the other sections with an

Under him are seven directors
—three British and four
Japanese. Apart from Gibson.
who is responsible for two functions, another averaged.

Below this, the structure is uncomplicated. The ladder of control in productions moves straight from managers to 22 supervisors and direct productions. tions, another ex-Ford man. Peter Wickens, heads personnel and John Cushnaghan, former manufacturing manager at BL's
Cowley assembly plant is in
charge of production. The four
Japanese directors, all in their
40s, head design, manufacturing
engineering, finance and quality
In all there are all

tions directly involved in the issue, discusses the problem, short, direct, comes to a conclusion and tells people to imple-ment it," says Gibson, who also worked at Ford's Saarlouis plant in West Germany. "In German plants it's even more disciplined. We involve more people here and more levels of the operation." Component sinply decisions, for example, involve production control, manufacturing engineering and quality assurance as well as design and purchasing. Managers as well as directors are at these

The rest are ad hoc.

"The European style is that the responsible manager holds a meeting involving those func-

Every department is involved in drawing up the personnel de-partment's appraisal system which will apply to everyone in-cluding directors. A very de-tailed form is being prepared which everyone will have to compete at least once a year as

compete at least once a year as part of that process.

"It's cumbersome and time-consuming but you flush out more potential problems early on." argues Glbson. "I'm surprised consensus works as well as it does. The early part takes a lot longer than I was used to at Ford but once you start to turn the wheel it moves very turn the wheel it moves very quickly indeed.

"We think our way is better but we'll not know until some years down the road if we have a better product and company." Everything has vet to be tested at Nissan MM (UK) beings involve a wider grouping senior people work in large first car. That also goes for its of managers than is the normal practice in Europe and an are the most extravagant pieces agreement with the Amalgam-unwritten rule is that no meet. and Union of Engineering Workers and a company coun-cil made up of a maximum of 10 elected and an unspecified number of nominated represen-tatives are the major elements. The council is the plant's con-sultation forum, the final stage in the grievance procedure and the negotiating body. The company is encouraging people to join the AUEW but by this month only some 50 of the potential 150 AUEW members

straight from managers to 22 supervisors and direct productions staff split into just two categories with 38 team leaders.

Dohse of the International Inter stitute for Comparative Social Research at the Science Centre, Berlin, questioned the stability of labour relations at the Wash-ington plant because the union has contributed little or nothing

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Managing, motivating and developing people, Luton, April 15-16. Fee: IIM members £195 plus VAT; non-members £220 plus VAT. Details from Short Course Dept. Institution of In dustrial Managers. Industrial Management House, Cardiff Road, Luton LU1 1RQ. Tel 0582 37071.

Forecasting and its role in mar-Forecasting and its role in marketing, Berkshire. April 20-25. Fee: Members of the Institute of Marketing £640 plus VAT; non-members £750 plus VAT. Details from IM Marketing Training, Moor Hall, Cookham. Maidenhead, Berkshire SL6 9QH. Tel: 062 85 24922 ext 29. Microcomputers and husiness efficiency: a modular programme of 15 days teaching and consultancy. Newcastle. April consultancy. Newcastle. April 7, 8, 9, 14, 22, 23, 30; May 6, 7, 8, 12, 20, 21, 22. Fee: £355. Details from Department of Industrial Management, University of

Newcastle, 13 Windsor Terrace, Newcastle, NE1 7RU, Tel: 0632 Newcastle, NEI 7RU. Tel: 0632 328511, ext 2188. Cultural aspects of economic co-operation in Europe, Maas-tricht. April 10. Registration fee: DF1 250. Details from In-stitute for Research on International Co-operation. Convention Dept. VVV Maastricht. Stationstraat 29, NL-6221 BN Maastricht. Tel: (0)43 - 215558.

Telex: 56760. Managing foreign exchange ex-nosure. London. April 23-24. Fee: £431.25. Details from Miss J. K. Van Wycks. Seminar Divi-sion. Crown Eagle Communicasion. Crown Eagle Communica-tions, Vernon House. Sicilian Avenue. London WCIA 20T. Tel: 01-232 4111. Telex: 896979 The prospects for tourism in Britain. London. April 22-23. Fee: £430 plus VAT. Details from The Financial Times Con-ference Organization Ministry ference Organisation, Minister House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355. Telex: 27347 FTCONF C. Prospering through privatisa-tion: how the business com-munity can profit from the pro-cedures and consequences. Lon-don. April 17-18. Fee: £454.25. Details from IIR. 44 Conduit Street London WIR 9FP Tol-

Street, Landon W1R 9FB. Tel: 01-434 1017. Intervention skills in performance counselling, Uxbridge. May 1-2. Fee: £275. Details from Miriam Dean, The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895

56461, ext 215. The London International Conthe existing main assembly hall ward facing jobs are in the and paint shop and the quality hands of the British directors. Decision-making has been senior personnel indicates. They each have a senior phase from the off.)

Autocratic decisions are outlawed at the start. No department has sole responsibility for an esse component suppliers and anything down the chain. Meet.

They each have a senior becision-making has been shopt disconting the non-specific job descriptions of shopfloor workers. All already paying dividends. A lot of time was absorbed selecting the start. No department has sole responsibility for an esse component suppliers and anything down the chain. Meet.

Identity in the London.

Decision-making has been with the passage of time.

One piece of work, though, is already paying dividends. A lot of time was absorbed selecting the shopfloor supervisors. "We make the shopfloor supervisors." We ment has sole responsibility for an esse component suppliers and anything down the chain. Meet.

Nissan in Japan. All these

### Women managers

## How to become assertive

Lisa Wood reports on the aims of a series of workshops

ANY COURSE entitled The particular relevance to this a softly spoken technical New Assertive Woman Manager group of women from junior to manager at Unwins Seeds. Her is likely to intimidate some; middle management. but the fact that such a course has just been mounted by the British Institute of Management suggests that women are being taken more seriously business.

The eight women from com-panies such as Marks and Spencer, British Telecom and the Nationwide Building Society who recently attended the first of four workshops to ne held this year are also concerned to take themselves seriously.

"More and more women are entering management," says Lee Bryce, one of three women consultants employed by the BIM as workshop leaders. "Yet many feel at a disadvantage and Jack confidence because they have career paths and work experience different from that of their male counterparts. Many women undervalue the considerable experience and skills which they already have."

Bryce proffers a lengthy read-

ing list of authors who have sought to identify the reasons for women's perceived and possible real disadvantage in the workplace. She gives the example of a woman having difficulty in making a contribution to a meeting with 10 roluble men. "On the one hand her voice will probably be much quieter than the men's and, on the other, the expectation among the men will be that she will not lead the show."

Concerns such as this were among the problems aired at the workshop. Parnel McLaren, a 30-year-old service administration manager at Omeda, the health care subsidiary of BOC, spoke of the difficulties in taking control of regular meetings with three male colleagues when she had to make a report. She felt they did not listen to her, talked among themselves and interrupted her. The result was that she got angry and defen-

ing more loudly, keeping a constant alert, making eye contact, speaking with brevity and, last but not least, making a careful selection of one's seat.

An important component of the two-day workshop is the sharing of common experiences: not to mosn about men but to become more objective about one's problems. At this par-ticular workshop only one woman, a college-educated assistant hospital administrator, had any experience of this kind.

McLaren, who left school at 15 to work in a sewing factory, as to work in a sewing factory, says her boss described her as "diffident" in a recent work appraisal. She says: "I took it very personally. However, listening to what other women have said I realise they have without her melled they are fall. either been called that or felt it. That helps me put my feelings into perspective and get on with finding how I can over-

### Aggression

The essence of assertion, says Bryce, is to stand up for your own rights and respect those of others. Aggression is stand-ing up for yourself but not respecting other people's feelings. "The assertive manager," she says, "should be confident of saying no to a request without causing offence." Simple as this may sound it is a tricky one for women who traditionally are taught to put the needs of others first.

Bryce claims that while infants of both sexes are taught not to butt into a conversation this all changes in adulthood. It is generally observed, she says, that men tend to compete for attention while a woman will defer. Her advice: "When two people start to speak at once make sure you are not the one to shut up. Raise your voice and carry on speaking." One participant suggests that such a competitive quality, with little attention to somebody else's feelings, is not to be

The dynamics of a particular admired. "It is a tough world situation are not the concern of the workshop. Rather, Bryce not get on if you do not compete talks of the skills needed to take command of an audience. The check list includes speak.

On the first day the women districted with the concern of the check list includes speak.

discussed situations in which stant alert, making eye contact, speaking with brevity and, last why they felt a course would listen instead of letting panic but not least, making a careful be beneficial. "I feel sometimes selection of one's seat.

All these are skills that could and that I am not as assertive staff in a different way and assist a map too but are of as I could be," said Julia Kerley, remove friction."

shy." Lynne Boardman, a striking, tall organisation and methods analyst who has recently joined her head office at Nationwide Building Society, said: "My male boss suggested I come. He said I had no problems about being assertive but thought I should go on a second management course to general management course to help me deal with other depart-ments. While I was at a branch

office I did not need that skill."
Day two is spent on looking at techniques for self assertion.
Meetings as a forum are picked out as being of particular importance with Bryce making the important point that if you say nothing at a meeting it is likely to reflect on how people judge your work generally.

A large part of the afternoon is taken up with two simulated meetings with four women being watched by their colleagues and vice versa as they conduct a 30 minute meeting. Examination of scholars ing. Examination of actual topics on sexual discrimination and what skills women need to develop to overcome it—is less important than the skills demonstrated in discussing

After role playing comes the \$64,000 question of what to to do with lessons learnt. Bryce stresses the need for action planning. Women, she points out, are less likely than men to plan their careers and their

One participant says she is resolved to change her job.
Another says: "I had doubts
as to whether or not I was
management material. I now believe I can join the race."
A third adds: "I've decided ! should pursue a professional qualification." A fourth, with a tendency to dominate and not listen to others' points of view says: "I never thought I had a problem about being assertive and I was a bit confused as to why it was suggested I came on this course.

"One of my weak points at meetings was I didn't like uncertainty and being thrown in at the deep end and having to respond to things I'was not sure about. Now I'll try and listen instead of letting panic take a hold. My goal is to deal with senior members of my

1944 Laminated windscreen 1944 Safety cage Windscreen defroster

Windscreen washers 1956 1956 Safety steering column with shear coupling 1957 Front 2-point safety belt anchorages 1958 Rear safety belt anchorages

1959 Front 3-point safety beits fitted Padded instrument pahel 1960 Brake servo and rear pressure limiting valve Rear window defroster 1966 1966 Triangle split braking system

1966 Anti burst door lock\$ 1966 Roll-over bar in roof 1966 Impact-absorbing pody sections front and rear

Multi-adjustable safety seat 1966 Seat anchorage of safety design

Rear safety belty fitted 1967 1968 Head restraints front 1968 . Heated rear sereen

1969 Inertia reel belts front 1971 "Fasten safety belts" warning light 1971 Inertia reel belts rear

1973 Side impact members in doors 1973 Crumple zone in steering wheel Shock-absorbing bumpers 1974

1972 Child proof door locks

1974 Multi stage impact-absorbing steering column Fuel-tank isolated and protected from rear impact Bulb integrity sensors 1974 Audio-visual belt reminder

1975 Stepped-bore brake master cylinder 1975 Day running lights Anti corrosion brake pipes of special alloy Headlight wiper/washers 1979 Anti-submarining guards in seats

Wide angle rear view mirror 1984 Non-locking brakes (ABS) 1985 Electronic traction control (ETC) 1986 Safety belt pre-tensioner

VOLVO Making Cars Safer

er. The specifications of the Volvo 760 may vary from market to market. The Volvo PV 444, introduced in 1944, was the first post-war automobile to be made at the Volvo factories. Volvo Car Corporation, 5-405 08 Göteborg, Sweden

### Television/Christopher Dunkley

## Never mind the face, feel the quality

it seems to be widely believed that there are significant differences between BBC1's Nine O'Clock News and ITV's News At 10. Yet to those outside I suspect the differences seem negligible, at least to casual viewers. Perhaps this is not especially surprising. Within the industry, people are deeply concerned with details, as close competitors are in any line of business — Hertz and Avis, Tesco and Waitrose — and the minutiae loom large.

But to the public what counts is the content and general presentation of the news and nowadays both content and presentation tend to look virtu-ally identical on the two services. This is not mere chance. Six or seven years ago critics began to say that ITN was starting to do a better job than the BBC, a judgement which was first loftily dismissed by the Corporation (which has an understandably high regard for its own news traditions and reputation established during World War II) then began to cause faint worry: then, when the judgements persisted, irri-tation; and finally, when the ratings showed that the BBC no longer had a lead, deep anxiety.

Consequently, after the BBC's most recent remodelling. the Nine O'Clock News emerged as a remarkably close copy of News At 10. In place of of the BBC's single news reader we were given teams of two, as with ITN. In place of the old "venetian blind" opening we were given a much more modern gee-whiz set of

In ITN's title sequence the camera swoops over the Thames and picks out London landmarks before showing Big Ben with "News At 10" superim-Then the picture cuts to a quick sequence of newsclips with the voice of Alastair Burnet or Martyn Lewis "doing the bongs," which is house slang for reading the menu of main news stories between the strokes of Big Ben. Only then does the picture dissolve to show the newscasters in the studio. ITN has always rejected the BBC term "newsreader," claiming that its presenters are not merely readers but profes-



The news teams, ITV top, BBC bottom

to the audience The BBC's title sequence is now more grandiose than ITN's, seeming to imply that the BBC's news is not presented from anywhere so mundane as London, but from outer space. Indeed the impression is that it is read by the man in the moon. The readers in black silhouette and planet earth curving away into space behind them, British Isle uppermost. Then a stream of yellow blips (digitalised electronic messages?) rains down on London, bounces out to the ionosphere to spell out "Nine O'Clock News, " and the reader delivers the menu — though without the bongs. The similarities continue

throughout the programme, News At 10 long ago started stringing together "quickie' items in the middle of the pro gramme, often with still pictures instead of film reports. The Nine O'Clock News uses similar quickie sequences. ITN background for its newscasters. and now the BBC uses a bright blue background, adding a low key-light to give a god-like penumbra to the news readers' heads. ITN fades out with its newscasters exchanging a few words which are masked by the closing music, and now BBC news readers are required to do the same—often looking deeply

old print out of business, what do we find (apart from a steady flood of new magazines and newspapers?). Television news programmes are filling their screens more and more with writing, ITN's Geoffrey Archer tells us from South Africa that there has been a pitched battle. "Pitched battle." says the writing on screen. A BBC reporter says that a judge described the rebel Labour councillors' action as wilful misconduct. "Wilful misconduct." duct" declares the writing on screen. Sandy Gall reads a piece about Landrover under BL management, and the General Motors approach.

General Motors approach.
"Landrover" says the writing
on screen, "Management," and
"General Motors." No doubt it is a great help to the deaf. Both services suffer from linguistic sloppiness. Jan Leemng still talks about bombs being "diffused" (i.e. scattered ing still tasks about bombs being "diffused" (i.e. scattered in all directions, or presumably, exploded) when she really means "de-fused" (i.e. not exploded). At ITN nobody seems to know the difference between "convince" and "persuade." The Bruno fight "convince" and "persuade." The Bruno fight "convince "convince" and "persuade." vinced Coetzee to give up boxing" we were informed in a typical recent mis-use. On Sunday's BBC news, in an item anticipating the Budget, we were told that beer should

PIRT, And there are more serious

go up by a penny or twopence

considerable say in ITN's editorial policy is vital. So is the occasional sight of Sandy Gall flogging his way through the Hindu Kush. Admittedly some of ITN's

other newscasters have less experience and authority, but the important and ominous point is that on the BBC news nobody seems to have it. Of course the quality of your information is finally what matters most to any news ser-vice, but the Americans have shown the vital role that can be played by journalists of real repute: from Huntley and Brinkley in the sixties to Peter Jennings and Dan Rather today, it has been the standing of the newscasters as journalists which has given American television news such clout. What can the BBC do? Once

upon a time they would have had on the staff a number of admirable and experienced journalists who might have been tempted by a job combining news presentation and an editorial say, Richard Dimbleby would have been one obvious choice, Bill Hardcastle another. In their generation television attracted much of the top talent in journalism: people such as James Cameron, Malcolm Muggeridge, Trevor Philpott and Kenneth Allsopp were glad to work for tele-vision, and television was glad

Today television seems more concerned with appearance than talent. Recruitment of journalists and presenters seems to pay more regard to those who wave their arms, dress oddly or win beauty contests than to those with jour-nalistic skills. Time was when an out-and-about series in the Scottish highlands would have gone to a proven word spinner such as Fysie Robertson. Today it goes to Selina Scott, the person who asked the Booker Prize judge "Did you read the and whose Scott Free scripts continue on that level.

If David Dimbleby, John Tusa (from the excellent Newsnight) or Peter Sissons (from the impressive Channel News) could be lured onto the Nine O'Clock News the BBC would be heading back into the competition. For the long term they might extend the sional journalists with powerful The similarities extend to errors. On the night that I edited The Economist, that we they might extend the personalities, equally capable technical details. With the began detailed monitoring of see him interviewing Cabinet thoroughness with which they of collecting and preparing the electronic mass media sup- the news programmes for this Ministers and anchoring live train engineers and canteen news as well as delivering it posedly driving fuddy-duddy column, the BBC announced election programmes and that staff to cover journalists.

### Der fliegende Holländer/Covent Garden

### David Murray

Dutchman no more shows us the whole opera than does the Coliseum Parsifal; neither counts as a failure, but where a Flying Dutchman skids there is much less in the score to support it. On Monday night a goodish cast swarmed up and lown the heaving stage that David Fielding has designed for Mike Ashman's production without coming to grief (though the Dutchman himself looked not to have found his sea-legs yet). Gerd Albrecht conducted very competently, very briskly, with brassy flair. It was more interesting than exciting, and nore exciting than moving: Ashman disdains anything picturesquely romantic, but

without the ring of haunted passion Der fliegende Hollander is little more than quaint.

The ships of Daland and the Dutchman pitch mightily, but they are tramp steamers, with natty modern mariners on Daland's. For the marital negotiations later Daland goes into pin-stripe (flashier than his accompanying quartet of solicitors). The spinning maidens citors). The spinning maidens have become the employees of a hawser factory, in smocks and mob-caps, superintended by old Mary from an industrial plat-form; Senta, who looks a bit of hoyden, delivers her ballad

Mystery-Bouffe as revived on

May Day 1921: circus colours flooding the ferris wheel of gir-

ders, Dadaist black and white

piano (sprouting phonograph borns), cranes and circular

This fantastic scenography

bursts open after Trofimov is seen, against a silken Moscow

Art cherry orchard, insipidly berating Anya for exploiting the peasant classes. Squealing

pigs (the first of many stun-ning sound effects supervised

by Dominic Muldowney) announce the explosive arrival

of Daniel Day Lewis as Mayakovsky, a shaven-haired cultural anarchist in a yellow

curiously Mr Norman Tebbit.

staircase.

opera is performed as one continuous act), with the ghostly vessel pulled into it like a Trojan hippo — whereupon it disgorges suppurating X-certifi-cate zombies. They are too busy suppurating to sing, and their offstage voices were dimly transmitted.
The onstage choruses were

lusty, but for a pallid spinning song, and the principals song, and the principals sounded full-blooded enough. Siegfried Jerusalem makes the forsaken Erik sympathetically virile, though the period graces of Wagner's tenor line are no more his style than they were in his recorded Tannhäuser Walther. Laurence Dale's Steersman, for whom much cavorting is prescribed, preserves his vocal manners admirably. Anne Collins' Mary is well sung as well as funny, and Robert Lloyd enjoys himself hugely as Daland -rather too sophisticated a joke for the good of the opera,

perhaps.
The fated lovers were not yet in focus for this first night. Simon Estes burnished baritone and determined intensity are a fine beginning for a Dutchman but his vocal address is oratorio-smooth—except at crises, hardly a phrase got any special dramatic inflection

The new Royal Opera Flying from there. We get a shop-floor throughout the evening. Com-utchman no more shows us knees-up in the third scene (the plicated inner torments had to be taken on trust and the result was rather distinguished but detached. Rosalind Plowright aims to do more (and some missing lustre returned to her voice as the performance went on): Senta's ballad, however, was only a breathy sketchquick passages half-swallowed, long phrases never fully sustained. Still, this was her first shot at Senta and it offered glimpses of solid promise.

Sharper, more palpable rap-port with her Dutchman would help, and a kinder treatment of their duet. It is, after all, the centrepiece of the opera but it is stiffly directed, and set glumly in the empty factory (after the hawsers and before the party-lights), and most un-happily prepared by the treat-ment of spinning-maidens and ballad. If Senta isn't a yearning visionary among comfort-able husband-hunting village girls, but only a kook amid the mob-caps, it is very hard to get a good haunted passion going the supernatural thrills of Wagner's uneven score. In short, one doesn't believe any of it much; but the machinery is interesting, and so is the Escher-ish visual geometry of the ship-scapes.

### Futurists/Cottesloe

### Michael Coveney

You might have expected the scene to shift to some stuffy literary office, but the direct Dusty Hughes has written a fine new play for the National Theatre, bright, jagged and not at all worthy, even if it is set among the poets and proletariat representatives in the difficult Futurists, Octobrists and Acmeists lay out their wares few years after the October Revolution in Petrograd. and are heckled by the little Richard Eyre's production is like a Meyerholdian futurist proletcult Robespierres, led in a flat cap and flat voice by production, full of declamation. Fred Pearson. poetry and banners, William Dudley's fairground functional Will the Bolsbeviks adopt the Futurists? Luckily for us design resembling a decadent version of Mayakovsky's

the issue is skilfully distributed among various personal rivalries and dilemmas: the heroic Mandelstams are derided for Osip's harking on the past and hauntingly portrayed by Roger Lloyd Pack (serenely reciting through diffident clouds of cigarette smoke) and Harriet Thorpe; the tottering marriage of Anna Akhmatova (Charlotte Cornwell, listlessly ypnotic) and Gumilyov (Jack Shepherd at his most casually steely), is interrupted by a Cheka agent (Ian Bartholomew)

into a dawn raid - but only after the first editions of Faust literary office, but me unectaddress comes from the stage of the Stray Dog Cafe where the artistic splinter groups—

Octobrists and

Several strong scenes involve the old dog Gorky and the poet the artistic splinter groups—
Gumilyov; in 1921, at which year the play settles, Gorky went several strong scenes involve the old dog Gorky and the poet the artistic splinter groups—
Gumilyov was shot. into exile, Gumilyov was shot. Gorky's dejection sets in with the ruthless suppression of the Kronstadt Uprising. Gumilyov is an unlucky victim of a conspiracy he would have preferred to join. Such is the play's reading of his fate (still a matter of historic conjecture) and his execution follows a classic prison scene where the officer ends up offering the poet a sample of his own sentimental scribblings.

The cast also includes Julian Fellowes as a sweatily epicene rellowes as a sweatily epicene club manager, switching with the fashion; Clare Higgins as an impassioned Lili Brik, spurned by the jerkily Expressionist ambiguous figure cut by Mr Day Lewis (who could be the hottest property since Jonathan Pryce); and Christopher Guinge as a trembling Alevan. who is in love with Anna, wants Guinee as a trembling Alexanto be a poet and betrays der Blok. Peter Blythe doubles Gumilyov, Gorky himself as the Romanov convert and a (David Calder), Revolutionary regretful Lenin, and I liked hero, friend of Lenin and the pianist's premonitory steal literary patron, presides over a from that Moscow State Circus coat who resembles both the literary patron, presides over a from that Moscow State Circus photographs and, most confused squabble of admirers lady who plays her instrument at a birthday party that turns upside down.

### London City Ballet/Ashcroft, Croydon

### **Clement Crisp**

London City Ballet calls the first of its two programmes in Croydon this week a "mixed bill." It proved to be as mixed in its qualities as in its com-ponents, as five pieces set out variously to tickle an audience's palate with jokes or pop songs or Bowdlerised Shakespeare or religiosity. It may all be well intentioned, but on Monday night I thought it fatally dull in conception and execution.

The two most assured works Jack Carter's Quodlibet and Peter Darrell's Othello-make most sense with the present casts. Quodlibet is determinedly roguish to Ponchielli's piano and wind quintet, and it encourages a permess of behaviour which increases one's fear that the thin ice of the choreography is not going to bear the weight of the heavy glances so generously provided by the dancers. Othello relies for its effects upon its inter-preters being able to make the most of the calligraphic ges-tures with which Darrell fixes emotional crises in the

lago's spleen: the other players tear various passions to tatters around the gentle innocence of Annapaola Pace's Desdemona. LCB's chamber orchestra copes manfully with the Liszt score, but it produces the effect of musical anorexia.

duet set to the most plangent movements of the Fauré Requiem, has a soulful air which would not come amiss in any anthology of mortuary kitsch. Its combination of aspiring faith, treble voices and religious gymnastics, has the ripely pious manner which could turn the most curmudgeonly to reveries about plastic blooms and the Dear Departed. Maybe Hell will turn out to be other people's views of Heaven. Wayne Sleep's Winding Road is hamfisted in manipulating a girl (Denise Barber) and six chaps dressed in white, to orchestrations of Beatles' songs. The audience is able to hum along with the tunes.

action. Nigel Spencer is successful in capturing the jagged, Rosemary Heiliwell's It piacere, precision. The novelty of the evening,

angular motif that tells of has the desperate air of a stand-up comedian whose routine is dying round his feet as he awaits the first raspberry from a disgruntled public. It involves 18 dancers, and its parentage might be summed up as "out of Symphony in D by Elite Symcoportions." The result is less than encouraging. Kulian's Symphony in D is a disaster area of brutish Gary Trinder's Pie Jesu. a physical comedy, whose procedures Miss Helliwell extends in frantic little episodes of ner-

vously insistent facetiousness. There is the flexed-foot joke; the funny-walk joke; the bumpthe girls-along-the-floor joke; the clamber-round-my-neck joke. It is Joe Miller's choreo-graphy. Rose Coutts-Smith has designed a pleasant Art Déco back-drop but undone her good work in vulgar costuming, which resembles the brilliantly painted all-over lectards of Ian Spurling's design for Elite in manner, but not in wit. Parti-coloured tights, tiny frills, tassels at the girls' breasts, help confirm the general impression of a ballet of frenetic im-

### Mahler's Seventh/Festival Hall

### **Dominic Gill**

The Seventh is the least some of the defter magic of known and least performed of the inner movements passed all Mahler's symphonies — not merely because it calls for a with the opening allegro huge and expensive orchestra, risoluto, and his command of but because it is in many ways

approachable, cohesive, and less instantly engaging than any of the other eight. The two large outer serious heavyweight arguments, difficult to give focal point to, oddly blunt (in Mahlerian terms) in their dramatic stance. The finale at its brassiest produces a familiar Mahlerian blaze: but even that blaze is solid, not unyielding but expressively four-square.

that England had lost the one-day cricket match in the West

Indies. ITN not only got the result right but showed Eng-

land scoring the winning run.
Last week both services
repeatedly used the phrase
"aggravated burglary" in con-

nection with the vicarage rape, but neither explained it.

Despite having a smaller foreign staff than the BBC, ITN exploits its foreign activity more impressively. Admittedly they sometimes hype it too much: Colin Baker's

report last week on cocaine smuggling in Miami did not justify its occupation of the entire first half of the pro-

gramme, and the footage show-

ing US coastguards firing on a Colombian fishing boat looked

suspiciously similar to an American programme I saw last year. But Michael Brun-son's recent reports on life in

Moscow and John Suchet's from

South Korea have been fascinat-

foreign coverage is scarely dramatic and, as I have already

indicated, the news stories and

production techniques of the

two services are now strikingly

similar. Yet over a period of time you do notice a significant

difference. ITN seems to me wholly justified in laying the importance that it does on

using people of obvious stand-

ing to convey the news. The fact that Alastair Burnet has edited The Economist, that we

However, the difference in

Few conductors manage to strike a satisfactory balance between these solid, epic outer movements and the trio of fleeting night-music pieces that lie in between: the emphasis is given to one or the other, but rarely, with equal success, to both. It was Esa-Pekka Salonen's virtue with the Philharmonia on Monday almost to make the symphony stand accents, sudden and surprising, coherently on its outer move- of the third night-music serements alone: but while doing so nade.

him by. I admired his confident way

the many different ildeas presented in swift succession, by turns proud, swooning, urgent, fiercely apprehensive. And in the finale too, where the Philharmonia gave him their closest attention, his direction had an energy that was ideally firm and flexible. The night musics should provide the greatest possible contrast to their massive frame, deft, delicate, a draught of night wind. Salonen's reading of them was observant but unsubtle: in the first even a little prosaic (the cowbells in the auditorium box suspiciously like breaking crockery, an that didn't help). The shadowy scherzo (Mahler's own adjective) was fairly broadly, brightly lit; and nowhere did he quite catch the flirtatious accents, sudden and surprising,

and literate of musicals, a fitting

tribute to the recently deceased of librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony

Sher plays Harvey Fierstein's four-hour triptych of the life and loves of

a drag queen fighting for emotional and domestic stability. Truthful

playing has the effect of cruelly expaying has the emet of crossly exposing Fierstein's tackily uneven writing (8363578).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film fol-

low-up to My Fair Lady, Beryl Reid

rising inimitably above the material, Jean-Pierre Aumont and Sian

Phillips lending more conventional support. John Dexter directs, Joce-

preters (Queen's): Love among

the diplomats, according to Ronald

Harwood has a superb role for the matchless Maggie Smith renewing a

Fox in the shadow of a summit be-

tween The Soviet Union and Brit-

ain. Fluent direction by Peter Yates

of the West End's best new play of

**NEW YORK** 

cross-cultural affair with Edw

lyn Herbert designs. (437 3686).

### The Killing of Sister George/Oxford Playhouse

### Antony Thorncroft

Frank Marcus's The Killing of Sister George hit London hard when it was first produced 21 years ago in that onnus mirahaviour, assaulting nuns in taxis and the like, make her expendbilis which also saw Pinter's able. A previously planned audience boost—"who made Rosie, the barmaid, pregnant?" —does not seem to have worked The Homecoming, Peter Shaf- able. fer's Black Comedy, Edward Bond's Saned and Osborne's A Patriot for me. It set a sensational theme for the time, lesblan love, against that most Eastenders. traditional of English back-grounds, a radio soap opera built round a village hardly a murmur away from Ambridge.

Cambridge Theatre pany's touring version, which is currently at the Oxford Playhouse before visiting Darling-ton, Cambridge, Aberystwyth and Taunton, treats it as a period piece, which is a mistake: the play holds up better than some of the performances.

It was the first play to mention

the "pill."

"Sister George," the lovable "Applehurst," she is still cap-village nurse, is for the chop. able of a defiant "moo."
Ratings need to be boosted and
I avining Barrens in Lavinia Bertram is almost too unconventional"

as well as it did last year for "Sister George" is a massive dual role, and, while not quite shaking off the shadow of Beryl Reid, Marjorie Yates creates a convincing portrait of selfdestruction as she kills the love embarrassingly written and perof her companion, Childie, by forcing her into such submissive acts as eating cigar butts and drinking her bath water. But at the end, as she practices her new role as a cow on a unfocused production.

diffident as Childie, and it is unfortunate that the finely built woman should be twice mocked for her flat chest. But she becomes increasingly convincing as the inadequate drifting towards anyone who is affectionate but firm, in this case Christine Edmonds, the lady from BH who deprives Sister George of both job and mate. The final part of Madame Xenia, an indigent gypsy, is

children's programme while Amanda Fisk's finely detailed listening to her funeral at set.

### To the Shareholders of

COPENHAGEN HANDELSBANK A/S (Aktieselskabet Kjøbenhavns Handelsbank)

Against delivery of Coupon No. 20, payment will be made of a dividend of 15% (less 30% dividend tax) for the year 1985. We draw attention to the folder the Bank has published on the special taxation rules applying to share-holders who are residents of the U.K. and Ireland. The folder is obtainable from N. M. Rothschild & Sons Ltd., P.O. Box 185, New Court, St. Swithin's Lane, London

Payment will take place at the Bank's Head Office at 2. Holmens Kanal, DK-1091 Copenhagen, Denmark, or through N. M. Rothschild & Sons Ltd.

Copenhagen, March 17th 1986



COPENHAGEN HANDELSBANK A/S (Aktieselskabet Kjøbenhavns Handelsbank)

QUESTION

long does it take him to reach it?

A Company Director living In Guildford jogs to work at 8 mph.
His office is 80 miles away. How

### Arts Guide

Music/Monday, Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

### Mar 14-Mar 20

### Theatre

NETHERLANDS

msterdam, Bellevue Theatre. En-glish Speaking Theatre of Amster-dam with Orton's Entertaining Mr Sloane directed by Grant Coburn. All week except Mon, matines Sun

### LONDON

The Scarlet Pimpernel (Her Ma-jesty's): Donald Sinden in resplendent plummy-voiced form as Baron-ess Orczy's one-man resistance movement to the French Revolution. Ocera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (9304075). As You Like It (Barbican): Much im-proved since last year's Stratford-

upon-Avon season, Adrian Noble's

Premises not Promises

ANSWER

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Verwood factory, ready to be delivered to his

accommodation problems, just attach this ad

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hear more of our unique answers to

ia (Fiona Shaw) threatened by Or-lando (Hilton McRae). A superb Jacques from Alan Rickman. The Jacques from Alan Rickman. The RSC Barbican repertoire also in-cludes a fine Othello with Ben Kingsley and, in The Pit, Christo-pher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (6288795). Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a

ird-rate farce is a key factor.

loosely Edwardian production now

emerges as a secret-garden adven-ture where Rosalind (Juliet Steven-

son) has the sisterly devotion of Cel-

arlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for

his money back. (834 6184). 42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (838 8108)

Barnum (Victoria Palace): Michael Crawford with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735). Guys and Dolls (Prince of Wales): The 1982 National Theatre production.

Richard Eyre's production and John

Gunter's affectionately lavish de-signs complement this most joyful

the year. (734 1166).

Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. 42nd Street (Majestic): An immodest

Cats (Winter Garden): Still a sellout, Trever Nume's production of T. S.

celebration of the heyday of Broad-way in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropri-ately brash and leggy hoofing by a large chorus line. (377 9020).

### Brighton Beach Memoirs (48th St): The first instalment of Neil Simon's mix of memories and jokes focuse

on a Depression-era Jewish house-hold where young Eugene falls awk-wardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longestrunning musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as audi-

tions rather than emotions. (239 6200). (a.S. o.co.).

La Cage anx Folies (Palace): With some tuneful Jerry Herman songs.

Harvey Fierstein's adaptation of the French film manages, barely, to cap-ture the feel of the sweet and hilar-ious original between high-kicking

and gaudy chorus numbers. (757 2026). I'm Not Eappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars. Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's mu-sic rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by

### WASHINGTON

The Wild Duck (Kreeger): Romanian director Lucian Pintilie follows his production of Tartuffe with the Ibsen classic, again using the stun-ning set and costumes of Radu and Miruna Boruzescu. Arena Stage (488 3300).

### Saleroom/Antony Thorncroft Sold-for the fourth time

## buyer was the London dealer Agnew.

The lot is interesting because its frequent appearances at Christie's allow us to trace the rise and fall in esteem for de Wint, and the art market. In 1875 this view of Lancaster, one of three produced by the artist, sold for 905 guiness, a mighty sum. By 1889 it made the stag-

gering price of 1,100 guineas. Flint more than trebled its ln 1935, in a much more depressed market, it changed resting on a bank beside the nands for 170 guineas, to the road to Tonbridge, by Paul it was cheaper yesterday than estimate at £10,260. Travellers resting on a bank beside the road to Tonbridge, by Paul it was cheaper yesterday than a century ago.

apatam, the fort where Tippoo was killed by the British in 1799, was by Turner, as were two more on the same subject. The artist never visited India but the saleroom produced convincing evidence that this was his work. The watercolours had previously been attributed to William Daniell. Perhaps not everyone agreed with the argument for the Leger Gallery

A panoramic view of Lancaster, a watercolour by the early 19th-century artist Peter de Wint, sold for £19,440 at Christie's yesterday. The price was comfortably above the £12,000 top estimate, and the £12,000 top estimate, and the beth and the witches and they sold for £594 and £324. A third hower was the London dealer Sold for 2007 and 2022. A time Reynolds study, for a portrait, was unsold. In contrast a Turner landscape, with an old oak tree, was bought by a phone bidder for £14,580 as against a £4,000 top estimate.

A distant view of Lyons by William Callow was bought by Aguew for £14,040 (as against 8 guineas in 1874), and a David Cox of beached shipping near than trablad its

In the catalogue to the sale of English drawings and water-colours Christie's went to great length to prove that a view of the inner ramparts of Seringapatam, the fort where Tippoo apatam, the fort where Tippoo the Grand Canal in Venice by English and Camara Another Federico del Campo Another Venetian view by the same artist, this time of the Palazzo Vendramini, went much more cheaply, for £16,500, showing the importance of a famous

One of

pects sir

Krupp P

producti

plant in

Riyadh.

"The Waiting Slave," painting very much to Middle Eastern taste depicting a pretty acquired the main view comparatively cheaply at £7,560, set, made £18,700. It was £4,860 and £9,180. set, made £18,700, 17 was painted by Charles Lecomte-Vernet,

Lesser Building Systems Ltd., Verwood, Dorset, BH21 6LB. Tel: 0202 824141

LESSER BRAIN-TEASER No 9

## هِ النَّا مِن النَّصِلُ

### LETTERS TO THE EDITOR

### Trend towards employee share schemes

From the chairman, Cockman, Copeman and Partners

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best.

Even if we are approaching the 4,000 mark for the total number of share schemes being submitted for approval, we still have a long way to go (even after taking account of the different sizes of the two coundifferent sizes of the two countries) when we compare Britain with the United States of America where there are over 250,000 employee share schemes, and one-third of adult share owners participate in employee share purchase plans.

How best can we develop this encouraging trend and ensure that it has the most impact on Stand, we can only expect a stand, we can only expect a reduction of jobs in the manuthe article indicates, would be facturing sector. The gist of his for the Government to adopt the Wider Share Ownership Council proposal (which is typical in this respect — has similar to one my own company introduced labour-saving techsubmitted to the Chancellor nology not so much to increase
before the 1984 Finance Bill
was published), that a condition
of approval for an executive ing wages instead of using new of approval for an executive ing wages instead of using scheme should be that there is technology is not what will make British industry more

Another way would be for the institutional investors, through their investment committees, to act as more than mere watchdogs counting allocations against arbitrary limits. In my opinion the investment committees should be far more supportive of those relatively few companies who have included genuine performance-related targets which have to be achieved before options can be exercised under a selective in line with the current average annual increase in manufacturing indicator. Instead it could have reduced the working week by two hours and awarded pay rises of 4½ per cent. Then it could have employed twenty be achieved before options can be exercised under a selective scheme. While a number of the more entreprenurial smaller companies have included such provisions, very few large com-panies have done so, Blue Circle Industries and the BBA Circle Industries and the Cartions

being honourable exceptions.

Even general employee profit sharing schemes can be made more exciting by the amount being set aside each year being on a geared hasis, rather than simple automatic percentage of profit. Sainsbury has demon-

strated how the use of such a

are bound to find continuin; pressure from successful com panies to make more share: available to their employees. I believe the committees should look really hard at perform ance criteria such as I have described to enable those com-Copeman and Partners

Sir. — Charles Batchelor's excellent article (March 14) on employee share schemes clearly demonstrates that such arrangements are now a permanent feature of British industry. The future potential for these scheme is obvious from his article, particularly with reference to the London School of Economies' survey which showed that the share price of companies with share schemes had risen faster than those who do not. After all, for all shareholders it is better to have 80 per cent of 20, rather than 80 per cent of 20, rather than 80 per cent of 10, or 100 per cent of 5 and this is the message that has to be accepted and enforced if employee share schemes are not which introduced all three types of scheme performed best. is the message that has to be accepted and enforced if employee share schemes are not going to be seen in the long term as merely another easy ride perk for senior managers. Richard Cockman, 26-28 Bedford Row, WC1.

### Labour-saving technology and wages

From Mr M. Ruan

Sir,—Michael Prowse's article on UK Productivity (March 13) shows clearly that, as things stand, we can only expect a

With so much labour-saving going on, what is needed is a policy for the redistribution of leisure. Let us say that Courtaulds Spinning has awarded a 9 per cent increase to its remaining labour force, in line with the current average annual increase in manufacturpeople for every nineteen and ended up with similar labour costs. Not a great increase, perhaps, but surely a step in the right direction.

A scheme like the wage infla-tion tax proposed by the Alliance might encourage such a settlement. Does the Governwhether "the flotation of the TSB is closer after Scots court ruling" (Michael Cassell, March 13). ment have the imagination to

target can indeed enable it-employees to get more than the "normal" 5 per cent of profit-in a particularly good year. The investment committee:

From Mr N. Taylor
Sir,—Following the peak of publicity for the Channel tunnel in January one could be excused for feeling confi-

dent there is, no doubt, considerable arm-twisting going on behind the scenes. We have been reassured that the tunnel will be able to handle all anticipated traffic well into the 21st century. The assumed viability of the tunnel (twin 7.2m diameter tubes), is based on the information contained on the information contained in the report by the Franco-British Finance Group published in May 1984, from which the figures used below are gleaned. This report shows, inter alia, the anticipated traffic both passenger and freight from 1993, the hopeful opening date through to 2022

opening date, through to 2027, and analyses the train require-ments to handle the average ments to handle the average daily traffic. The passenger figures taken as critical are those for the peak period, ie the 3 summer holiday months, which are about twice the average figures for the rest of the year

Now, imagine yourself as a family going on holiday to the Continent in July, and setting out from Birmingham, You do not have to make any train reservations, you merely arrive at the tunnel terminus and drive on to the double-decker car transporter wagon on a first come-first served basis. It drive on to the double-decker the morning in order to be in getting to Calais until 4 pm—
first come-first served basis. It not unreasonable. We could 8 pm, some may not get through till
is a Saturday morning, you thus expect over 5,000 cars at drivers would fare even worse,
have all breakfasted early, the terminus between, say it would take 10 hours to get
pack the car and set off at 10 am and 1 pm, but, don't
a most of them arrive at the first mone
the motorway network at average) coach passengers and terminus before 1 pm the last
70 mph, the sun is shining and 4,521 (summer average) day could be going through at 8 pm.

Ghylls,
all is well — except that 15,160 trippers, to say nothing of It does not require much

Box, Glos.

Sir,-I was interested to read (March 7) that the Panel

on Takeovers and Mergers proposes to levy charges for

reading documentation relating

to takeovers. I understand that these charges will be levied

In the light of Bing Bang I

wonder if these charges will become negotiable on Octo-

From Reverend Dr J. Vincent.

Sir,—It is a matter of opinion whether "the flotation of the

Sheffield

Negotiable

From Mr J. East

under a fixed scale.

ber 27? I fear not!

Floating the

Margetts & Addenbrooke. 65 London Wall, EC2.

J. R. A. East,

charges

### Not much vroomph for Channel tunnel traffic



where they could, and probably would, arrive at 1,500 cars an

The Acts of Parliament affecting the TSB in Scotland

are different from those relat-

ing to England and Wales. Moreover, the Scottish ruling

was merely on one particular point—as to whether the

Before the trustees can be

adjudged competent to dispose of those assets, a decision would have to be made that those trustees own the assets. In the normal understanding of trusteeship, money is held in trust for other people. You cannot call what is not your

The question of who has rights over the TSB is at present sub judice and I am one of the interested parties.

It is therefore incorrect for the

It is therefore incorrect for the TSB, as quoted in your article, to say that "the TSB group will get owners only when it floats," as if it could be assumed that the possibility of changing a trusteeship into an ownership could be taken for granted.

not sell what is not yours.

depositors own the assets,

same. (There could well be lorries would be carried on many more since it is a weekend but the report appears to have forgotten about weekend traffic). Some 15,163 people, according to the report, will for 10 hours, per day. The passaccommodated in 5,415 cars.

These 5,415 cars are all 1.072 cars and 52 cars. hour (with 40 passengers per coach). If all goes well it would take 5 hours to transport the 5,415 cars and 7.6 hours for the hour, well within motorway coaches. Pity the unfortunate capacity. Most people will aim day tripper who having arrived to arrive at the terminus in at the terminus at 11 am not the morning in order to be in getting to Calais until 4 pm—

From Mr W. Bailey
Sir,—The structure, style and
content of our school system are
essentially mediaeval. Most of

our workforce has been educated since the 1944 Act, the

relevant skills and to cut back on many traditional subjects.

The school

system

feelings, to say nothing of language.

But, this is the prediction for the first year of operation, 1993. By 2008, when it is anticipated the loans should have been repaid, predicted traffic will have increased by about 50 per cent. Cars would have to wait for 4 hours and coaches 10 hours. It would take the full 24 hours to get all the lorries through. Even at the 1993 levels of traffic for most people their first crossing would likely to be their last. In 1994 they would all be back on the ferries, as almost certainly would the lorries. The tunnel could not be viable without the freight traffic which is assessed to pro-vide 30 per cent of the operat-ing revenue; car traffic would provide a similar proportion. The report extends its fore-

cast to the year 2027 when the traffic figures given are about double the 1993 level. I will not attempt to present the likely scenario. And bear in mind that the figures I have quoted are summer averages not weekend densities.

For most of the travelling public the answer is pretty obvious, there would not be a next time. For the backers, or investors, however, it is not so simple, they have to make up their minds some seven or eight years ahead of opening date, ie now. Once support is promised they cannot opt out. If the traffic falls off they lose their money. their money. N. O. Taylor.

try are low - low, because

attitudes. Pressure for change in schooling is not coming from society's failures. It is coming from managers and industrialists, the "successes" of our educational system, who know the score abroad. They know that our system which exposes every child to an archaic curriculum, rejects two-thirds as failures without skills, and ill-educates the remainder in a worstraus. educated since the 1944 Act, the vast majority in the state system. Result: accelerated economic decline, currently cushioned by North Sea oil. Conclusion: Anthony Harris (March 8) is near the truth—a radical overhaul of the schooling system is long overdue. And the major objective must be to teach our children relevant skills and to cut back the remainder, is a monstrous complacent anachronism. W. H. Bailey, Cliff House, Llancarfan,

### Benign fuel

Barry, S. Glam.

on many traditional subjects.

The whole system suffers from positive feedback — a condition well known to engineers which leads to self-destruction. In short, we are reinforcing in schools the very skills and attitudes which are projects condition well known to engineers which leads to self-destruction. In short, we are reinforcing in schools the very skills and attitudes which are superfluous to our economy; and we do this by recycling into teaching the very people whose employment prospects in indus-

short sighted.

Sweden, Germany, Denmark, Sweden, Germany, Denmark, Finland and many other countries in Europe achieve fuel diversification through heating their cities with piped hot water using heat normally wasted when generating electricity. The system is called combined heat and nower and combined heat and nower and combined heat and nower and Raba shread But the Morozov their cities with piped hot water using heat normally wasted when generating electricity. The system is called combined heat and power, and is being examined for London, Sheffield, Newcastle, Leicester, Ediphyrsh and Relfact. Edinburgh and Belfast.

Government work to date in-dicates that with the joint sale of electricity and heat, such projects earn similar or better rates of return than Sizewell. Nationally, CHP projects displace substantial amounts of imported oil and gas, giving balance of payments benefits, an important factor according to a recent House of Lords report. CHP also provides employment in inner cities with very substantial work for the power engineering and construction industry.

Government has chosen to put CHP, whether coal- or refuse-fired, tidal barrage and refuse-fired, tidal barrage and other electricity-producing options at a disadvantage to Sizewell by requiring these more benign projects to be private-sector-led and funded, with the price paid for any electricity generated in the schemes being determined by the electricity supply industry, which is in a position to discourage competition.

Central The Electricity Generating Board, because of its monopoly position, enjoys locked-in consumers to under-

locked-in consumers to underwrite its projects and, being in the public sector, considers projects viable which the private sector would not.

If Mrs Thatcher is serious about market forces, let her put the building of further nuclear power stations on the same hasis as the competing sources of private electricity generation. Let the market and the private sector decide.

W. R. H. Orchard.

3. North View, they have the wrong skills and

3, North View, Wimbledon Common, SW19.

### No absence of entrepreneurs

From Mr M. Smith
Sir,—I feel I must comment
on your article, "An absence
of entrepreneurs" (Lombard,
March 13). Your correspondent
states: "There is no question
of a return to capitalism in Russia because it never was a capitalist country—not even under the Tsars." In this your correspondent is sadly mistaken. Tsarist Russia was a capitalist

imagination to predict drivers' sification. His conclusion that feelings, to say nothing of nuclear power to generate electricity offers the only route is doubled, to 40m tons pa from 1880 to 1900 to 1918. From 1880 to 1894 oil production increased by R3bn abroad. But the Morozov brother amassed a fortune of

> I admit there cannot now be many survivors still in Russia who even remember 1917, probably more survivors are living abroad. The Romanov Empire was doomed when the Volonsky Regiment (Imparial) Volonsky Regiment (Imperial Guard) turned on their officers at 6.00 am February 27 (OS)
> 1917. The Tsar abdicated, after
> having been "immobilised" by
> being sent on a "round tour" of the Russian railway system by the railwaymen and ended up in Tobolsk. He was replaced by Prince Georgi Ye. Lvov as Regent with A. F. Kerensky as

R25m from textiles and sugar.

The Tsarist government of course ruled with monumental incompetence. All the pubs in Russia were state-owned and provided the major part of the state's revenue. At the out-break of the war, they were all shut—to save grain. This of shut—to save grain. This of course did nothing of the kind but merely privatised the distil-ling of vodka with an explosion of home distilling and the opening of shebeens. The shortfall in the state's revenue was met by printing still more banknotes. The resultant inflation meant that by mid-1917 it was impossible for the industrial workers to exist on their wages exacerbated by large-scale speculation in grain by the banks, of all people.

The great tragedy of Nicholas II was that he alienated the whole "capitalist class" from his regime. Savva Morozov, the radical millionaire, supported the Social Revolutionary Party and on one occasion gave Maxim Gorky (Maxim the bitter) his own revolver. Morozov, with personal fortune of at least R15m was hardly a socialist, but he saw that social and political change was an and political change was an urgent necessity. The majority of the then "entrepreneurs" held similar views to Morozov.

But, I am sure, your correspondent need not be concerned. If Mr Gorbachev decides to imitate the Hungarian reforms, not to mention the Czech attempt, he need have no qualms that the grandsons of the "Tsarist" entrepreneurs will not speedily accept their new-found freedom. M. Travers Smith.

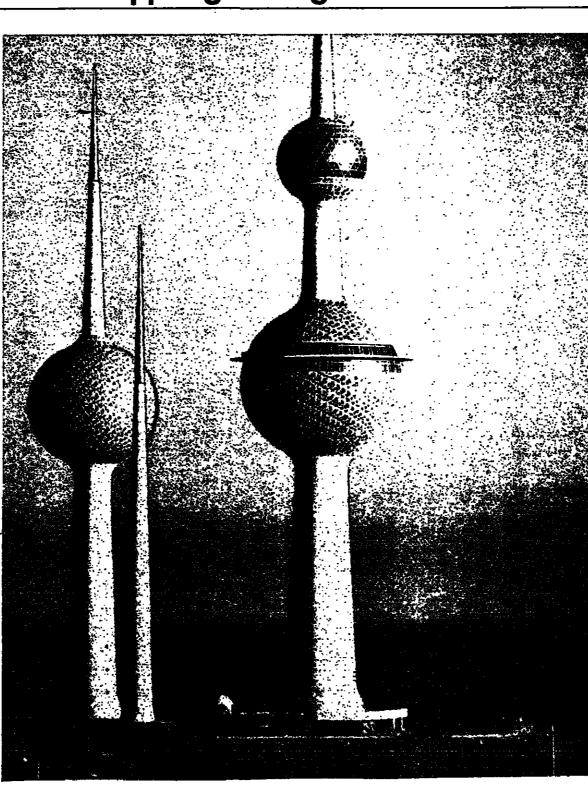
73, Syich Lanc, Womborne, Wolverhampton.

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## Borrowing target 'errs on side of caution' at £7bn

Mr Nigel Lawson, presenting his Budget yesterday, said that reduced oil prices offered an outstanding opportunity for increased exports and reduced imports penetration. He warned, however, that industry must keep firmer control of labour costs and invest more in research, development and training to benefit from cheaper oil. The Chancellor

objectives remain unchanged: the conquest of inflation and up in the US. the creation of an enterprise Provided we

cies are unchanged, too: policies of sound money and free markets. Not least, because these are the only routes to more jobs, and jobs that last. And the Government's poli-So my Budget today will carry forward the themes of my two previous Budgets, and ne seeds for the future. In the course of my speech I shall begin by reviewing the general economic background to the Budget, and go on to deal with the specific issue of

I shall next discuss monetary policy and the fiscal prospect, both this year and next.

I shall then turn to the question of direct help for the

Finally, I shall propose some changes in taxation designed to assist in achieving the economic objectives I have already out-

As usual, a number of press releases, filling out the details of my proposals, will be avail-able from the Vote Office as soon as I have sat down. I start with the economic

background. The strength and durability of the current economic upswing continues to con-found the commentators. We can now look back to five solid years of growth at around 3 per Even more important, 1985

was the third successive year in which we secured the clusive combination of steady growth and low inflation—the first time this has been achieved since In 1985 as a whole, output

grew by a further 31 per cent, kets remain somewhat volatile, the highest rate of growth in the moode has changed conthe European Community, and higher than the United States,

Within that total non-oil exports grew by 7 per cent, to reach yet another all-time record.

Despite a marked slowdown in the growth of world trade from the heady pace of 1984, the current account of the balance of payments was in surplus for the sixth year in at around 51 per cent and fall-

ing.
Employment continued to rise, though still not fast enough to reduce the distressingly high number of people out of work. I shall have more to say about unemployment later.

Manufacturing industry, the

subject of so much ill-informed comment, had another successful year, with its output up by 3 per cent, its productivity up by almost 4 per cent, and both its investment and its exports up by 6 per cent.

At the heart of this success

lies a remarkable turn-around in productivity. In the six years prior to 1979, Britain's annual rate of growth of manufactur ing productivity, at less than 1 per cent, was the lowest of all the Group of Five major industrial nations. In the six years since 1979,

our annual rate of growth of manufacturing productivity, at as been second only to that of Japan Looking ahead, I expect 1986 to be a further year of steady growth with low inflation.

### $3\frac{1}{2}\%$ inflation forecast

Indeed, with output forecast to rise by 3 per cent, and inflation to fall to 31 per cent, 1986 is set to register our best overall performance in terms of output and inflation for a would no doubt have been even The pattern of growth should

show a satisfactory balance, too, with exports and investment expected to grow rather faster than consumer spending to be profoundly mistaken. But —as indeed they have during the sustained upswing as a to the test sooner than anyone

But the uncertainties inherent stant reminders that we live in so. If we can survive unscathed an uncertain and turbulent

One particularly difficult aspect of this is the febrile nature of the world currency

There has been some improvement between the Group of Five Finance Ministers last September has undoubtedly led to a more sustainable pattern of exchange rates worldwide. Since that meeting, the dollar

has fallen by some 16 per cent against the other major currencies as a whole, with the pound moving up by 7 per cent, the Deutschmark by 26 per cent and the yen by 36 per cent a pattern broadly in line with what those of us who were party to the agreement hoped to see This process will be assisted further if the passage of the Gramm - Rudman, amendment succeeds in securing its objective of a much-needed reduction in the US budget deficit.

The background to this year's Budget is the dramatic and unprecedented fall in the world reducing, at least for the time being, the dangerous protection-ist pressures that were building

> Provided we are not overambitious, I believe that the Plaza Accord is something we

> country has of course been the collapse in the price of oil.
>
> I presented my Budget last year at the end of a 12-month coal strike. I observed at the time that it was a remarkable tribute to the underlying strength of the British economy that it had been able to withstand so long and damaging a strike in such good shape.

> We now have to face a chailenge of a very different kind. and with our prospective North Sea oil tax revenues and earnings from oil exports. In real terms, the price is now back to what it was at the end of 1973.

> Not surprisingly, perhaps, this initially caused a fair amount of turmoil in the financial markets with sterling under

> I decided that it was right to respond with an immediate 3 per cent rise in short-term interest rates in early January and this helped to prevent the downward movement of the exchange rate from developing an unhealthy momentum of its

But equally,I thought it right to resist the pressure, which for a time was very strong indeed, to raise interest rates still fur-

And though the financial marthe moode has changed con-siderably, assisted by a modest but welcome reduction in interest rates overseas.

### No production. cut for oil.

Meanwhile, let be repeat that there is no question whatever, and never has been any ques-tion, of the UK cutting back its oil production in an attempt to rure a higher oil price. In the first place, the whole outstanding success of the North Sea has been based on the fact that it is the freest oil

province in the world, in which decisions on levels of output are a matter of the companies and not for the Government. And in the second place, we are not only, or even princip-ally, a major oil producer; we are also a major world producer

way with words, and even Labour leader Neil Kinnock generously awarded him full narks for presentation.

third Budget.

LAST MINUTE predictions

yesterday afternoon suggested that Nigel Lawson would

perform a clever balancing act when he rose to unveil his

As usual, the former financial journalist quickly proved that he had a clever

Labour backbenchers dubbed him the "juggling Chancellor" during some of the more gimmleky and bedazzling sections of his The characteristic Lawson showmanship was very much to the fore, and he could not

resist pulling off some clever tricks to leave his audience gasping. More of the conjuror, perhaps, than the juggler. Admittedly, some of the

rathits he produced out of the hat were not as plump and impressive as some of his Tory supporters had hoped. Nevertheless, there was no denying the skill with which The contentious subject of petrol tax brought out the Houdini side of the Chancellor. First he gave the

background to the situation.

### Parliamentary Sketch

culminating in the assertion that there was clearly scope for a sizable increase in petrol tax this year. "Ah!" gasped Labour MPs assuming that a horrendous announcement was about to be made.

But then, having got the attention of his audience, Mr Lawson had decided that he would maintain the value of revenue from the car owner but would not increase it: At this sudden switch, Tory back-benchers burst into cheers on the assumption that there. would be no rise at all.

Once the noise subsided, however, the Chancellor pro-duced yet another card from his sleeve. Yes, petrol duty would be increased to raise would be increased to raise the pump price by 7.5p a gallon. But, as vehicle excise duty would remain at last year's level, the burden on ear owners would be unchanged in real terms. Now it was the turn of Labour MPs to jeer at the rather crestfallen MPs on the

Tory benches.

It was the slickest episode since Roy Jenkins who, when he was Labour Chancellor, he was labour characteris, used his Budget speech to pull the rug from under the late Sir Gerald Nabarro, who had confidently predicted a rise in vehicle excise duty.

Roy, in his present position on the SDP bench, came in for some teasing himself yesterday. This occurred when Mr Lawson announced that he proposed to exclude from the Business Expansion Scheme companies whose main purpose was to invest in objects such as fine wines, the value of which would rise over the years.

The Chancellor fixed Mr Jenkins with a meaningful stare at this point, and rancous Labour MPs, quick to take the hint, turned round to jeer at their former colleague. However hard he tries, it is clear that Mr. Jen-kips will never manage to live down his image as the great claret connoisseur.

The Opposition also had some fun with the proposal to reduce the basic rate of income tax by one penny in the

Unabashed by their scornful response, Mr Lawson pointed out that the Government had previously reduced the rate of 33 per cent to 30 per cent, and was now bringper cent, and was now ung-ing it down to 29 per cent. So long as this Government remained in office, that would not be the last such reduc"Jam tomorrow," they sneered from the Labour

The Opposition also had some difficulty recognising the optimistic picture of the economy which was por-trayed by the bouncy Chan-

"The strength and durability of the current econon upswing continues to conconfidently asserted, despite the dismissive laughter from the Labour side of the House. In contrast to all this

hilarity, Shadow Employment Secretary John Prescott did not seem to be getting any fun out of the occasion. He sat on the Labour front bench scowling ferociously and roating disapproval even at the sections of the Budget which seemed to find approval from. many Labour MPs.

As Mr Lawson sat down there was a robust cheer and some waving of order papers from Tory backbenchers—but the support did not seem to be quite as enthusiastic 25, when he had risen to start his ... one-and-a-quarter-hour speech.

John Hunt



the loss of half our North Sea oil revenues in less than 25 weeks, then the prospective loss of the other half over the remainder of the next 25 years should not cause us undue

It is, of course, true that in relative terms we do lose from the collapse of the oil price. That is to say, the really big gains will be made by the major non-oil-producing countries such as Germany and Japan, where growth will be boosted and inflation, already low, is likely to fall virtually to zero. And inevitably we suffer a decline in the value of our net oil

But the oil price fall will be beneficial for the industrialised world as a whole, and even for the UK what we gain on the swings should, over time, more than offset what we lose on the roundabouts.

In particular, 'I' expect that the levels of economic activity and inflation will, if anything, be slightly better than they would have been without the oll price collapse. And what of the balance of

payments? exchange controls in 1979, we have been able to use a good part of our earnings from North Sea oil since then to build up a massive stock of

Our net overseas assets have in fact risen more than sevenfold from £12bn at the end of 1979 to almost £90bn at the This is a far bigger total than

'While the economy may not gain a great deal overall as a result of the oil price collapse, there will be considerable differences within the economy '

services and a major oil conis no overall UK There national interest in keeping oil prices high. I am of course aware that a

report, recently published in another place and which attracted a certain amount of publicity at the time, predicted that: "As the oil revenues diminsh the country will ex-perience adverse effects which will worsen with time,"—effects of a most alarming nature. Had the authors of that re-

port dreamed at the time that half the oil rdevenues were about to disappear within a matter of months, their conclusions more apocalyptic.
As the House knows, I have

always believed their analysis, which was widely shared by Rt Hon and Hon Members opposite, to be profoundly mistaken. But expected.

The United Kingdom is likely in all these forecasts, good to remain an oil producer, of though their track record has a gradually diminishing volume been, are reinforced by con- of oil, for the next 25 years or



'Britain's overseas assets have risen sevenfold."

and trader of other goods and that possessed by any other major nation, with the perhaps inevitable exception of Japan. The earnings from those assets will be of increasing value to our balance of payments in the years ahead. S

too, should the improvement in manufacturing balance. For while the British economy may not gain a great deal overall as a result of the oil price collapse, there will be considerable differences within the economy.

The major potential beneficiary will be the international trading sector of industry in general, and manufacturing in particular, which is already enjoying both lower oil costs and a lower exchange rate against most of its major competitors, at a time inflation is falling.

### Exports able to increase This provides British indus-

try with an outstanding opportunity both to increase its exports and to reduce import penetration in the home market.

But it will only be able to seize that opportunity if it meets two conditions. First, it must keep firmer control of its labour costs.

Second, it must spend more of its much healthier level of profits on investing for the future in research and development and in training. Both the opportunity, and the responsibility to see that it is not ment and in training. Both the the essential instrument of opportunity, and the responsimonetary policy. Changes in bility to see that it is not interest rates have a reasonably thrown over part fairly and thrown away, rest fairly and squarely on the shoulders of British management. Meanwhile, despite the massive fall in oil prices, I

expect the current account of the balance of payments to remain in sizeable surplus this year, by some £3 bn.
As I have indicated, there

will be plusses and minuses within the economy. If industry is the main gainer, the main loser, at least today, is the which the most important is the Chancellor of the Exchequer, exchange rate. I can live with that. But it

does mean that North Sea oil revenues, which are likely to amount to some £11½bn for 1985-86, are bound to be very much less in 1986-87. Indeed, on the assumption of an average North Sea oil

price for the rest of this year of \$15 a barrel, which is close to the average published price for the past month of around \$16 a barrel, oil revenues in 1986-87 will be virtually halved at some £6bn. This has obvious implications for the Budget. But the im-

portant fact is that, just as we successfully weathered a year long coal strike, so we have been able to take the unprecedented collapse in the oil price in our stride. We have been able to do so, first, because of the underlying strength of the economy in terms of growth, inflation and

the external account. And, second, by virtue of the reputation we have earned over seven years for sound and prudent financial management. The framework within which of £2bm of North Sea oil which in particular ensures that sound and prudent finanrevenue, this year's PSBR looks that British industry can hold cial management has been pursued, and will continue to be pursued, is the Government's the first 11 months comes to

It is here that Britain's weakness lies For the plain for Strategy. It provides as firm a guarantee against inadequate

money

money demand as it against excessive n demand At the heart of the MTFS lies the objective of steadily reducing the growth of total spending power in the economy, as measured by GDP in cash terms, at a pace that will gradually squeeze inflation out of the ystem while at the same time leaving adequate room for sustained growth in real output. That we have done.

against

Over the past six years the rate of growth of money GDP has been halved, and a further significant reduction is envisaged for 1986-87. This has brought about a combination of low inflation and steady growth. We shall continue to maintain steady downward pressure on inflation. That means, above all, controlling the growth of money in the economy.

Last year, I set target ranges of 3 to 7 per cent for narrow money, MO, and 5 to 9 per cent for broad money, M3.

During 1985-86 the targeted measure of narrow money has grown towards the bottom end of its range. The target range for next year will be 2 to 6 per

cent, as foreshadowed in last year's MTFS. For broad money it has been clear since the autumn that the range was set too low. Throughout the 1980s—and in sharp contrast to the 1970s—broad money has grown far faster than money GDP. Experience has demonstrated that this has not posed a threat to inflation. This rapid growth largely reflects the increased attrac-

tions of holding interest bearing

deposits, at a time both of low inflation and high real interest rates, and of innovation and liberalisation in the financial system. Accordingly, I am setting next year's target range for broad money well above that indicated in last year's MTFS,

at 11-15 per cent. Given the experience of the past six years, I believe this is not only a more realistic range, but one which is wholly consistent with the further decline in inflation I intend to achieve. Short-term interest rates are

quick and direct effect on narrow money, as they do on the exchange rate. Their effect on broad money is more complex and much more delayed. As explained in the

Red Book, there is thus an important difference in the operational significance of the targets for narrow and broad money. Needless to say, I shall continue to monitor the evidence of other financial indicators, of

Mansion House last autumn: that while financial liberalisation and innovation have inevitably made the process of monetary management more complicated, there has been no change whatever in the essence of policy.
The Government continues to

sound money.
Though there is nothing sacrosanct about the precise mix, monetary policy must always be supported by an

appropriate fiscal policy. That means, in plain English, keeping borrowing low.

The outturn for the public sector borrowing requirement in 1984-85, which had to bear the bulk of the cost of resisting the coal strike, was £10bn, or just over 3 per cent of GDP.

planned to reduce it substan-tially in 1985-86, to 17bh or 2 per cent of GDP.

priced into jobs instead of In the event despite the loss pricing them out of jobs, and

This successful outcome, which represents the most substantial reduction in the PSBR as a proportion of GDP since 1981-82, is attributable to two

### Public spending under control

First, public expenditure has been kept under firm control, Not only is the outturn likely to be within the planning total, but spending in 1985-86 is ex-pected to be below the previous year's level in real terms, even after allowing for the effects of the coal strike.

And the second factor behind

the successful PSBR outturn for 1985-86 is that the £2bn shortfall in oil revenues has been offset by the increased buoyancy of non-oil revenues. reflecting a healthy economy and an increasingly profitable corporate sector.

Last year's MTFS indicated a PSBR for 1986-87 of £7½bn,

or 2 per cent of GDP. Some would argue that, in the light of the £21bn increase in projected privatisation proceeds, I ought to aim well below that. Others would claim that, since the sharp drop envisaged in oil revenues is more than double the rise in privatisation proceeds, a higher figure would

be appropriate.
As last year, my judgement is that the wisest course is to stick broadly to our pre-announced figure. But, given the uncertainties over the oil price, I have decided, within that framework, to err on the side of caution, and provide for a PSBR of £7bn, or 11 per cent

Needless to say, this does not enable me to reduce taxation by anything like the £31bn foreshadowed in last year's Indeed, given the assumed

loss of more than £5bn of oil revenues in 1986-87, compared with what was envisaged a year ago, I would have expected to have had to increase taxes in this year's Budget. However, not only have the tax revenues this year from the 95 per cent of the economy that is not oil proved to be notably buoyant, but there is every sign that this will continue into 1986-87, assisted by

in last year's MTFS. This continued vigour of the non-North Sea economy, which is likely to add more than £3hn to expected non-North Sea tax revenues, coupled with public spending which remains under firm control, has transformed what might have been a bleak

a rather higher rate of econo-

mic growth than was foreseen

As a result, I am able this exchange rate.

year to accommodate a rela- a relief, and the precise defini- job.

I will say no more about fively modest net reduction in tion of qualifying agreements, I shall also be providing the

It may well be that the oil price turns out to be different from the average of \$15 a bar-

rel, which I have assumed for this year's Budget. But if any departure is purely short term, it is most unlikely to have any significance for policy.

I turn now to the continuing attach the highest priority to problem of high unemployment.

It is a problem that can be solved — and there is no secret about how. The solution to the problem of unemployment — and it is the only solution and it is the only solution requires progress on two key The first is a sustained improvement in the performance

of business and industry, and thus of the economy as a whole. That is what every aspect of the Government's economic policy has been designed to assist, and it is already achiev-In my Budget last year, I ing impressive results. The second is a level of pay which enables workers to be

> is that labour costs per unit of output in British business and industry continue to rise faster than is consistent with low un-

faster still.

Meanwhile, there is more measure that is this—and not our alleged can do of an immediate nature dependence on oil — that conto help the unemployed.

Rudent last vear I dependence on oil — that con-stitutes the Achilles heel of the British economy. And in a free economy

the CBI has frankly and commendably acknowledged—it is the responsibility of employers and management to control industry's cost structure in general and its wage costs in

no excuse for failure to discharge that responsibility.
I have, however, considered I have, however, considered whether there is anything out of work for over a year, or, further Government can do to in the case of those between 18 and 24, for more than six country is not just the level of

monetary policy today. Except the real burden of taxation, of to repeat what I said at the a shade under £1bn. would need to be drawn with resources to launch a brand considerable care: resources to launch a brand new scheme—the New Workers The Government therefore propose to discuss with employers and others to see if

a workable scheme can be

defined which offers the pros-

pect of a worthwhile and broadly-based take up. This would clearly be in industry's own interest, and most emphatically in the best interests of the unemployed. It should therefore occur without any prompting from

government.

help get profit sharing agree-ments of the right kind off the ground, and to secure the benefits that would undoubtedly accrue if they really caught on.

considerable care. The Government therefore made under this scheme.
proposes to discuss with The total public expenditure proposes to discuss with The total public expenditure employers and others to see cost of the measures I have out-

If these preliminary discussions are sufficiently encouraging, we would prepare a consul-

particular.

In the new and improved on objective of ensuring that no youngster under the age of climate of industrial relations, and with inflation falling and set to fall further, there are the second of the se Budget a substantial expansion of the Community Programme to help the long-term unem-ployed—those who have been

pay in relation to productivity, which offers work for up to a but also the rigidity of the pay year on projects of benefit to

'The solution to the problem of unemployment requires a level of pay which prices workers into jobs instead of pricing them out of jobs'

people employed, then redundancies are inevitably more likely to occur. One way out of this might be to move to a system in which a significant proportion of an employee's remuneration

depends directly on the company's profitability per person employed. This would not only give the workforce a more direct per-sonal interest in their company's success, as existing employee share schemes do. It would also mean that, when

business is slack, companies

would be under less pressure to lay men off; and by the same token they would in general be keener to take them on. This would clearly be in industry's own interest and most emphatically in the best interests of the unemployed. It any prompting from Govern-

offer some temporary measure of tax relief to the employees concerned to help get profit sharing agreements of the right kind off the ground and to

inertia to overcome.

Inevitably, the design of such

But there is considerable inertia to overcome. So it might porary measure of tax relief to the employees concerned to

accrue if they really caught on. from its present figure of Inevitably, the design of such 65,000 to 100,000 by April a relief, and the precise definition of qualifying agreements, would need to be drawn with

defined which offers the prestial spending in Northern pect of a worthwhile and Ireland, comes to £195m in broadly-based take-up.

In my Budget last year I announced the Government's intention to launch a new twoyear Youth Training Scheme, leading to recognised vocational qualifications. The new and expanded YTS will duly come into operation next month.

It will be a giant step towards

The Community Programme,

system. If the only element of the community, is currently flexibility is in the numbers of providing almost 200,000 places. I have agreed with my Right Honourable and Noble Friend the Secretary of State for Employment to provide the funds to raise the eventual target for this year to 255,000 places — very nearly double the number that existed a year

> At the same time, the average wage limit for the Community Programme will be raised to £67 a week from next month. Last November, my Right

Honourable and Noble Friend announced two pilot schemes to provide further help for the long-term unemployed. These new initiatives, which began in January, are a counselling scheme open to all the longterm unemployed in the pilot areas, and a Johstart allowance of £20 a week for six months should therefore occur without for those long-term unemployed who take a job at less than ment, but there is considerable £80 a week.

These pilot schemes are So it might make sense to already producing results, and fire some temporary measure I have accordingly decided to provide the funds to develop them into a single programme covering the entire country. This means that every single secure the benefits that would one of the long-term un-undoubtedly accrue if they employed throughout the land really caught on. will be called for an interview and offered help in finding a

new scheme—the New Workers Scheme—to help 18-20-year-olds This will provide for a payment of £15 a week for a year

to any employer taking on an 18- or 19-year-old at up to £55 a week or a 20-year-old at up to £65 a week. The New Workers Scheme should provide a worthwhile incentive for employers to create jobs for young people. Finally, I have agreed to a substantial enlargement of the proven and highly successful interprise Allowance Scheme, which makes payments of £40-a-week for up to a year to assist unemployed men and women to set up in business on their own

Funds will be provided that will enable the annual rate of entry to the Enterprise Allowance Scheme to be increased ing for those involved. At the same time I propose to improve the tax treatment of payments

if a workable scheme can be lined, together with consequen-1986-87 and £285m in 1987-88. These gross costs will, how-

ever, be partly offset by savings on social security benefits, leavprincipal competitors overseas.

Productivity is, indeed, rising quite rapidly. But pay is rising faster still.

Approximately prepare a consul. on social security benefits, leaving a net public expenditure detailed scheme for wider configuration. on social security benefits, leaving a net public expenditure cost of £100m in 1986-87 and £165m in 1987-88. the Reserve, and there will therefore be no overall addition

to planned public spending. I now turn to the taxation of business and enterprise. While the measures I have just announced help the unemployed directly, in the long run what really matters is the creation of a climate in which business and industry flourish. For it is companies, not governments, which

create jobs. The reformed system of business taxation which I introduced in my 1984 Budget has reached the end of its transitional phase and comes fully into force next month. From then on the UK will have, at 35 per cent, the lowest rate of Corporation Tax of any major industrial nation. This year I have only two further amendments to make.

First, I propose to ensure a First, I propose to ensure a full measure of depreciation for tax purposes for short-life agricultural buildings and works, by giving the taxpayer the option of making balancing adjustments on the sale or destruction of such buildings.

Second I propose to reform Second, I propose to reform the mines and oil wells allowances broadly along the lines of the proposals published in last July's consultative

document.
The overall net benefit of this amount to £45m in 1987-88.

Otherwise I propose only minor technical changes to the taxation of North Sea oil; but I am continuing to hear the I am continuing to keep the economics of incremental investment under review, and shall not hesitate to introduce at the earliest opportunity any changes which may prove necessary to ensure that worthwhile projects are not frustrated by the fiscal regime.

I need to set the 1987-88 car and fuel benefit scale charges for those with company cars.
At the same time, the motor industry has represented to me that the discrepancy between the engine size break points in these scales and the break points in the new European Community directive on car exhaust emissions is potentially damaging to its international competitiveness.

Accordingly I propose, from April 1987, to change our break points to those in the new directive. At the same time, as last year, I propose to increase the (restructured) car benefit scale charges by 10 per cent. This will still leave the scale charges well short of the true

Continued on next page

## Personal equity plan aims to extend share ownership

Continued from previous page

The fuel scale will also be restructured, but there will be no general increase in the charges; and, as from April 1987, the same scale will also be used to assess the VAT due on pertol used by registered traders and their employees.

This will be simpler and more equitable than the present system, and will also bring in an extra £40m of revenue in an extra £40m of revenue in 1987-88.

### Tax thresholds to be raised

I- propose to increase the VAT threshold to £20,500, in line with the maximum per-

tainers or sportsmen work overseas, the foreign tax authorities tax in some shape or form ever normally levy a withholding tax on their earnings.

sportsmen when they work in the UK.

I believe that, in future, we and unwarranted impost. should fall into line with most of the rest of the world. Accordof the rest of the worm. Accordingly, I propose to withhold in assets, particularly the owner-tax at the basic rate on the ship of family businesses, often to the detriment of the earnings of overseas enter-tainers and sportsmen in the businesses concerned. UK. This should yield £75m in

A key element in the Government's strategy for jobs is the encouragement of new busi-

which is due to come to an end in April 1987.

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I have been assisted in this kept broadly unchanged. review by the independent report commissioned by the Inland Revenue from the consultants Peat Marwick, which is being published in full today.

I am placing a copy in the Library of the House. It is quite clear-and this is confirmed by the evidence in the Peat Marwick report—that the Business Expansion Scheme, which my predecessor introduced in 1983 as an improve-ment on the 1981 Business Start-up Scheme, has been an outstanding success. It has fully achieved its aim of attracting new coulty capital into inquoted companies.

The amount subscribed has

been running at well over £100m a year, and steadily rising; and a high proportion of this has gone into new and

Roughly half the companies involved raised sums of less than £50,000 each.

I therefore have no hesitation in proposing to extend the life of the Business Expansion Scheme, which is due to expire

next year, indefinitely.
But at the same time, despite the exclusions of farmland and property development in my two previous Budgets, I am concerned that too much BES money is being diverted from the high-risk areas for which the scheme was always intended into areas where the risk is

very much less.
Accordingly, I propose, from now on, to exclude from the scheme all companies holding more than half their net assets in the form of land and build-

ings.
I also propose to exclude companies whose main purpose is to invest in objects, such as fine wines, whose value may be expected to rise over time.
At the same time, I have one

new inclusion to announce.

I have decided to bring within the scope of the BES companies engaged in the chartering of UK-registered ships.

to give personal pensions the entirely a matter for the same favourable tax treatment trustees and employers to This will provide new opportunities for investment in shipping engaged in the coastal, short sea and offshore trades. I propose to take power to make enable there to be the widest further changes in the ambit of possible consultation prior to legislation in next year's possible consultation prior to legislation in next year's Finance Bill.

Meanwhile, I can assure the

the scheme by order.
Finally, having taken steps to target the Business Expansion
Scheme more carefully, I propose to improve it. BES shares issued after today will be entirely free of Capital Gains
Tax on their first sale.

Meanwhile, I can assure the House that, as I made clear last year. I have no plans to change that favourable tax treatment. But I do need to deal with the growing problem of the rules

And as a further measure of help for small and new businesses, the Loan Guarantee Scheme, under which the Government guarantees 70 per cent of qualifying bank loans, will also be extended, in this case for a further three years. The House will be glad to learn that the premium will be halved from 5 per cent to 21 per cent. My last proposal in this sec-

tion concerns Capital Transfer Tax, which ever since its introduction by the Labour Govern-ment in 1974 has been a thorn in the side of those owning and running family businesses, and as such has had a damaging effect on risk-taking and enterprise within a particularly im-portant sector of the economy. In addition to statutory indexation of the thresholds and rate bands, I propose this year to reform the tax radically.

Community law.

In essence, the Capital Transfer Tax is two taxes, as its international entertainers and sportsmen. When British are international entertainers and inheritance tax and a lifetime.

We have had an inheritance on their earnings.

But at the present time we 1894. But the lifetime gifts levy no such tax on the earnings of foreign entertainers and ment introduced in 1974, in the teeth of united Conservative opposition, is an unwelcome

By deterring lifetime giving, it has had the effect of locking

accordingly, I propose to abolish entirely the tax on lifetime gifts to individuals.

As with the old Estate Duty, As the House knows, I have of death and provisions to the Berness Expansion Scheme, which is due to come to an arms. there will be a tapered charge

for the death charge, will be The cost of abolishing the tax on lifetime giving will be £35m in 1980-87 and £55m in 1987-88. In recognition of the radically changed nature of the tax 1 have decided to rename it the Inheritance Tax. My two previous Budgets abolished three unnecessary taxes: The National Insurance Surcharge, the Investment Income Surcharge, and Development Land Tax. The abolition of the tax on life-

time gifts adds a fourth.

I now turn to the taxation of savings and investment. In my 1984, Budget, L. introduced a major reform of the taxation of savings and investment designed to improve the direction and quality of both. Today I propose to carry this reform further forward.

### Personal pensions

The Social Security Bill now before Parliament proposes important and far-reaching changes in pension provision, notably by encouraging the growth of personal pensions.

Those changes—to which the Government attaches the highest importance — have been warmly welcomed, both for the greater freedom they will give to existing pension scheme members and for the new scope they will offer to the millions of working people who are not

In the light of these changes, I intend later this year to pub-lish detailed proposals designed

'The Lifetime Gifts Tax which the Labour Govern-

ment introduced in 1974, in the teeth of united

Conservative opposition, is an unwelcome and

unwarranted impost'



Mr Nigel Lawson, the Chancellor, with the other Treasury ministers—Mr Peter Brooke (left), Minister of State; Mr Ian Stewart, Economic Secretary; Mr John Moore, Financial Secretary, and Mr John MacGregor, Chief Secretary

governing

surpluses. The dramatic improvement in the financial climate compared with a decade ago, most notably as a result of the sharp fall in inflation, has seen a number of pension funds become heavily overfunded.

This presents a double prob-Iem, both aspects of which the Inland Revenue is at present having to deal with through the exercise of its discretionary

In the first place, excessive surpluses, even if they arise unintentionally, represent the misuse of a tax privilege which was intended to assist the pro-vision of pensions and for no other purpose. So the Inland Revenue requires from time to time that surpluses be dimin-

But, at the same time, the Revenue feels obliged to turn Revenue feels obliged to turn down many of the increasing number of requests from companies which, often for good reasons, wish to take refunds from their pension funds into the company itself.

The absence of clear rules on how surpluses should and may be dealt with, and the consenumber of requests from com-panies which, often for good reasons, wish to take refunds from their pension funds into

be dealt with, and the conse-quent reliance that has to be placed on the exercise by the Inland Revenue of its discretion, have created considerable uncertainty and have unneces-

freedom of action.

I therefore propose to replace these discretionary arrangements with clear and objective statutory provisions. In future, the amount of any surplus in a fund will be deter-mined for tax purposes in accordance with published guidelines, based on a secure

funding method and prudent actuarial assumptions, as advised by the Government Actuary.

they will offer to the millions Actuary,
of working people who are not
in an occupational pension
scheme.

In the light of these changes,

Where it is higher than that action will be required to eliminate the excess. It will be

trustees and employers to decide whether the reduction is

to be achieved by increasing benefits, or reducing contribu-

tions, or making a refund to

the company.

fund arrangements is likely to be a yield of £20m in 1986-87 and kept in the pian, the more the tax relief will build up and the will be the benefits.

Next, Stamp Duty
I have no change to propose
in the Stamp Duty on houses and other property, which I reduced to I per cent, with a higher threshold, in my 1984

But there is a formidable case this year for a further reduction in the rate of Stamp Duty on share transfers.

The City of London is the re-eminent financial centre of Europe. The massive £6bn it contributes to our invisible earnings is but one measure of the resulting benefit to the British economy.

But competition in financial services nowadays is not continental, but global. The City Revolution now under way, due to culminate with the ending

world pre-eminence in other financial services will be threatened. Successful competition

denends on a number of factor but one of the most important is the level of dealing costs. The abolition of fixed commissions will certainly help.
But with no tax at all on share
transactions in New York and
roughly i per cent in Tokyo,
under the existing tax regime
London will still be vulnerable. I therefore propose to reduce Stamp Duty on share transactions from 1 per cent to 1 per cent as from the date of the

Big Bang.
But I believe it is right that
the full cost of this should be met from within the financial sector itself. Accordingly, I propose to bring into tax at the propose to bring into tax at the new i per cent rate a range of financial transactions which which are at present entirely free of Stamp Duty.

These include transactions in

loan stock other than short bonds and gilt edged securities, transactions unwound within a single Stock Exchange account. letters of allotment, the pur-chase by a company of its own shares and takeovers and

mergers.

There will also be a special rate of 5 per cent on the conversion of UK shares into ADRs and other forms of depositary receipt. Some of these changes, including the new ADR charge, will take effect immediately: others will be delayed until the

the company.

If, and only if, they choose to make a refund, the employer will be liable to tax at a rate of 40 per cent of the amount refunded, so as broadly to recover the tax relief previously This further halving of the stamp duty on equities should enable London to compete successfully in the worldwide securities market. It will also provide a further fillip to wider share ownership in the UK.

Just as we have made Britain nation of home owners, it is the long-term ambition of this Government to make the British people a nation of share-owners, too; to create a popular capitalism, in which more and more than the state of t men and women have a direct personal stake in British busi-

personal stake in Briush pusiness and industry.
Both through the rapid
growth of employee share
schemes, and through the outstandingly successful privatisation programme, much progress
has been made. But not enough.
Nor, I fear, will we ever
achieve our goal so long as the
tax system continues to discrimtax system continues to discriminate so heavily in favour of institutional investment rather than direct share ownership. Accordingly I propose to in-troduce a radical new scheme to encourage direct investment in UK equities. Starting next January, any adult will be able to invest up to £200 a month, or £2.400 a year, in shares. These will be held in a special account which I am calling a Personal

Equity Plan.

So long as the investment is kept in the plan for a relatively short minimum period, of be-tween one and two years, all tween one and two years, all precisely that, a pound of tax pace with inflation, and that relief on giving is likely to enables me to keep VED at last the tax system should come capital gains no disposals, will be entirely free of tax.

Indication, and that he tax system should come down hardest on a married and light vans, leaving the couple just at the time when

And there will normally be no need for the Inland Revenue to get involved at all. income tax on charitable

### **Encouraging** small savers

Although the scheme will be open to everyone, it is specially designed to encourage smaller savers, and particularly those who may never previously have invested in equities in their lives. So the plans will be simple and flexible to operate.

Anyone who is legally able to deal in securities will be eligible to register as a plan manager. But the investor him-self will own the shares, and the rights that go with them, including voting rights. And it will be for the investor to choose whether to make the investment decisions himself or to give the plan manager authority to act on his behalf.

This is a substantial, innova-tive and exciting new scheme. I am confident that, over time, it will bring about a dramatic extension of share ownership in

Although wholly different in structure from the Los Monory in France, I expect it to be every bit as successful in

achieving its objective.

I am sure the whole House will welcome this far-reaching package of measures to reform investment.

I now turn to the tax treatment of charities and charitable giving. In almost every facet of the nation's affairs it becomes increasingly clear that private action is more effective than state action.

This is particularly well-illustrated by the success of charitable organisations up and down the land in the fields of famine relief, social welfare, medicine, education (including the universities), the arts and the heritage.

This Government has already done a great deal to assist charities both through the tax system and in other ways. I believe the time has come to take a further step forward. The first question is whether any further fiscal relief should be given to the charities theu-

be given to the charities themselves, through relief from VAT, or to the act of giving. In the light of representations from the Charities VAT Reform Group, I am prepared this year, exceptionally, to make a number of specific concessions on the VAT front.

I propose to relieve charities from VAT on their non-classified Press advertising, on medicinal products where they are engaged in the treatment

are engaged in the treatment or care of people or animals, or or care of people or animals, or in medical research; on lifts and distress alarm systems for the handicapped; on refrigeration and video equipment for use in medical applications purchased by charities from donated funds; on all recording equipment for talking books and newspapers used by chariand newspapers used by chari-ties for the blind; and on wel-fare vehicles used by charities to transport the deaf, blind or mentally handicapped.

But in general I am con-vinced that the right way to help charities is not by relieving the charities themselves from VAT, but by encouraging the act of charitable giving. I say this for two principal reasons. First, it is clearly better that the amount of tax relief is related to the amount of support a charity is able to attract, rather than to the value of goods and services it happens

The longer the investment is principal proposals therefore relate directly to the act of giving to charity. First, I propose to abolish altogether the upper limit on relief at the higher rates of

> At the same time I propose to act to stop the abuse of the tax system by ensuring that tax relief goes only to money which is used for charitable purposes.

Next, companies.
It is widely believed that corporate giving to charity would be more generous than it is at present if tax relief did not depend on the company entering into a four-year covenant.

Accordingly, I propose to allow public companies to enjoy tax relief on one-off gifts to charity up to a maximum of 3 per cent of the company's annual dividend payment to its shareholders. There will, of course, continue to be no limit on the amount a company can covenant to charity.

Many charities have made clear to me their fear that to The cost of the scheme will one-off donations by individuals be around £25m in 1987-88, but would weaken them by reducing the stability they enjoy as a the stability they enjoy as a covenants. Instead, therefore, I propose to encourage individual giving to charity by a different means, that of tax relief for payroll giving.

From April 1987 it will be open to any employer to set up a scheme under which employees can have charitable donations of up to £100-a-year deducted from their pay, and get tax relief on them.

All in all, the proposals I have announced today add up to a very substantial package have announced today add up posals for major changes in to a very substantial package value added tax this year.

The changes in have charitable giving. Their cost to announced in the excise duties the exchequer will depend on will, all told, raise an extra

nchanged in real terms. Moreover, given the very substantial increase in the oil today.

companies' margins, there is clearly no need for the pump price of petrol to go up at all independent taxation with further to fall allowances transferable between husband and wife, would

further.
In the same way, I propose to increase the duty on dery by an amount which — if it were wholly passed on to the consumer, which, to repeat, it should certainly not be would

### Gas oil tax increased 1½p

So far as the other oil duties are concerned. I have one or two changes to make, not to the duty on heavy fuel oil, which will remain unchanged as it has done since 1980. But I propose to increase the very modest duty on gas oil, by lip

a gallon.
And I propose to abolish altogether the duties on aviation Meanwhile. I have to set the kerosene, or Aviur — which at tax rates and thresholds for the present is taxed for domestic coming year. But first I have flights only—and on most two minor proposals to announce, both of which I hope changes in duty will take effect the House will welcome.

from 6 pm this evening.
Finally, so far as oil products are concerned, I am anxious to do what I reasonably can to assist the introduction of leading petrol. The case for this

on environmental grounds is lear.

I have therefore decided to create a duty differential in its favour to offset its higher production costs. My officials will be discussing with the oil companies how this can best be achieved in time for next years. achieved in time for next year's

Next, tobacco. In the light of the representations I have re-ceived on health grounds, I have decided to increase the duty on cigarettes by appre-ciably more than is needed to keep pace with inflation.

I therefore propose an increase in the duty on cigarettes and hand-rolling tobacco by the equivalent, including VAT, of

approximately 11p on a packet of 20 cigarettes. This will take effect from midnight on Thursday. As last vear, I propose no increase at all on the duties on cigars and pipe tobacco, which are more heavily taxed here than in most comparable countries.
Finally, drink. As the House

Finally, drink. As the House will recall, I was obliged in 1984 to increase the duty on beer by slightly more than I would have wished as a consequence of the Indigment against the UK in the European Court of Justice.

Scotland. Next, VAT. I propose to stop

the misuse of long stay relief for hotel accommodation, and make certain other minor changes. But I have no pro-

'In almost very facet of the nation's affairs it becomes increasingly clear that private action is more effective than state action, as illustrated by the success of charitable organisations?

how generously companies and £795m in 1966-87, the same employees respond to this initia-tive. But my best estimate is had I simply increased all the that it could amount to as much as £70m in 1987-88. This will be partly paid for NO 16-8/8; by the measures to curb abuse. The overall

which may save some £20m a year. I would hope, too, that the additional charitable giving these concessions stimulate will be at least twice the amount of the extra tax relief given. I now turn to the taxation

of spending.
So far as the indirect taxes are concerned, the overriding question this year is how far I should recovered from the oil consumer the tax revenues I have lost from the oil producer. as a result of the massive fall in the oil price.

Since November, the price of

petrol at the pump has fallen hy anything up to 15 pence a gallon. But if the oil com-penies had passed on the full amount of the fall in the oil price to date, the price of petrol at the pump could have been 12 pence a gallon lower still. There is clearly scope, there-fore, for a sizable increase in petrol tax this year.

I have concluded, howeve

that at the present time, while I must certainly maintain the real value of the revenue I get from the motorist, I will not increase it.

But I do believe it makes sense to look again, in the light

of the radically changed circumstances, at the relative weight of petrol tax and Vehicle Excise Duty. Accordingly, I propose to increase the duty on petrol by an amount which, including VAT, would—if it were wholly passed on to the consumer to purchase.

And, second, whereas a 7½p a gallon. This is twopence pound of VAT relief is worth more than is needed to keep

had I simply increased all the excise duties in line with links

The overall impact effect on the RPI, if all the increases were fully passed on, would be per cent. This has already been taken into account in the forecast I have given the House of \$\frac{3}{2}\$ per cent inflation by the end of

the year.

Finally, I turn to income tax.
In my Budget speech last year
I undertook to issue a Green Paper on the reform of personal taxation. As the House is aware, I am publishing the Green Paper today.

It discusses a range of options which will in due course be opened up by the computerisation of PAYE, from the resationships between income tax and employees national insu-rance contributions to the closer integration of the tax and benefit systems.

In particular, however, it out-lines a possible reform of the present system of personal allowances. The responses to my predecessor's 1980 Green Paper revealed widespread dissatisfaction with the existing arrangements, but -- inevitably -- no clear consensus as to what should replace them.

Married women increasingly resent the fact that a wife's

income is treated for tax purposes as that of her husband, depriving her of the indepen-dence and privacy she has a right to expect.

There is growing complaint, too, of the way in which, in a number of respects, the present system

tends.

overall burden on the motorist the wife stops work to start a Yet that is what happens

tween husband and wife, would remedy all these defects. To be acceptable, however, it would need to be accompanied by a substantial increase in the basic tax threshold.

sumer, which, to repeat, it should certainly not be—would raise the price at the pump by 6½p including VAT.

This will enable me to avoid any general increase this year in the Vehicle Excise Duty on lorries, too.

The Government is committed to reducing the burden of income tax, and the proposal in the Green Paper suggests one way of doing that which would achieve a number of other worthwhile objectives—including the ability to take more ing the ability to take more people out of the unemployment and poverty traps for a given amount of tax relief than is possible under the present tax system.

Given the timetable of com-puterisation, none of this could in practice be implemented until the 1990s, But we need to start planning for the 1990s today. The Government will therefore carefully consider the responses to today's Green Paper before taking any deci-sion on how to proceed.

First, pensions paid by the West German and Austrian governments to victims of Nazi persecution are free of tax in both West Germany and Austria. In this country, however, the tax relief on such pensions is set at 50 per cent. In future, I propose that pensions paid to victims of Nazi persecution about the form of tax alterether. should be free of tax altogether. Second, the House will be aware that, as from next year, social security benefit upratings will be moved to April, to coincide with the tax year. This will enable them to be fully taken into account before PAYE codes are issued for 1987-88. However, to bridge the gap between the November 1985 and April 1987 upratings my Right Honourable Friend the Secretary of State for Social Services proposes to have a special tran-sitional uprating in July, the details of which he has recently

. But, as Honourable Members will know from their postbags, it could be confusing for many old-age pensioners and widows to undergo a special mid-year tax re-coding on account of the July uprating.

. I have therefore decided that, for pensioners and widows, the benefit increases payable in July will be exempt from income tax

in 1986-87. The cost of this will be £15m. Since we first took office in 1979, we have cut the basic I now propose no increase at ate of income tax from 33 per all in the duty on beer. Nor do I propose any increase in the duties on cider, table wine, sparkling wine, fortified wine or . We have increased the main spirits. This last decision will.

I hope, be particularly welcome in Scotland. cent has been achieved during the present Parliament. It is a

good record, but it is not good record, but it is not good enough. The burden of income tax is still too great.

Nothing could be further from the truth than the claim that we have a choice between cutting the state of the country and cutting recorded. tax and cutting unemployment.
The two go hand in hand. It is
no accident that the two most
successful economies in the
world, both overall and specifically in terms of job creation, the US and Japan, have the lowest level of tax as a propor-tion of GDP.

Reductions in taxation motivate new businesses and improve incentives at work. They are a principal engine of the enterprise culture, on which our future prosperity and employ-

ment opportunities depend.

The case for higher tax thresholds is well understood. In my two previous Budgets, I have raised the married man's allow-ance to its highest level in real terms since the war, and higher as a proportion of average earn-ings than in either Germany or the IS the US.

But we should not overlook the need for reductions in the basic rate of tax, too. The basic rate is the starting rate of tax.
And it is the crucially important
marginal rate of tax for some
95 per cent of all employees and
90 per cent of all self-employed and unincorporated businesses. Clearly, given the massive fall in oil revenues, this is not a year for substantial reductions in tax of any kind.

But provided the econom. continues to grow as it has been and provided we continue to maintain firm control of public expenditure, the scope should be there in the years ahead.

### VAT threshold

### to be raised

Meanwhile, I propose for 1986-87 to raise all the main thresholds and allowances by the statutory indexation figure of 5.7 per cent, rounded up.
The single person's allowance
will therefore rise by £130 to £2,335 and the married man's allowance by £200 to £3,655. Similarly, the single age allowance will rise by £160 to £2,850 and the married age allowance by £250 to £4,505. The age allowance income limit becomes £9,400.
I propose to raise all the higher rate thresholds by

> Continued on next page



## Basic tax rate cut

### Continued from previous page

exactly £1,000. This is fully in exactly £1,000. This is fully in line with statutory indexation for the first (40 per cent) higher rate, but less than half statutory indexation for the top (60 per cent) rate.

Given the need for caution in the light of current circumstances, I do not have scope this majority of ordinary taxpayers. vear for a reduction in the basic As a result of the adjustments year for a reduction in the basic rate of income tax, beyond one penny in the pound.

But this reduction from 30 per cent to 29 per cent still

represents the first cut in the basic rate of income tax since my predecessor took it down

remains in office, it will not be the last. There will, of course, be a consequential reduction in have announced today will take

And I also propose a corresponding cut in the small com-panies' rate of Corporation Tax from 30 per cent to 29 per cent. The combined effect of the various income tax changes I have just announced is to concentrate the benefit, modest as I readily concede it to be, not on the rich but on the great

I have made to the higher rate thresholds, the gain for those at the top of the income scale is more or less confined to what they would have received under simple indexation alone. By contrast, the married man

from 33 per cent to 30 per cent on average earnings will be some £2.60 a week better off, So long as this Government an improvement of £1.45 a week

pay day after May 17. They will cost £935m in 1986-87, over and above the cost of statutory

Seven years ago, when my predecessor cut the basic rate income tax from 33 per cent to 30 per cent, he added: "Our long-term aim should surely be income tax to no more than 25 per cent."

I share that aim. In this Budget, Mr Deputy Speaker, I have reaffirmed the prudent policies that have brought us three successive years of steady growth with low inflation, and the prospect of a fourth ahead of us.

I have described how we can take in our stride the dramatic

the rate of Advance Corpora- effect under PAYE on the first Secretary of State for Employment, I have announced a further substantial range of measures to help the un-

mployed. I have proposed a radical and far-reaching new scheme for tax-free investment in equities, so that we may truly be share-owning democracy, and abolished a fourth tax. I have announced the most

substantial package of assistance to charitable giving ever and cut the basic rate of income Building as it does on the

achievements of the recent past,

this Budget is a safeguard for

the present and a springboard for the future. I commend it to the House.

## collapse in the oil price, and The Chancellor rose at beneat from its consequences. 3.35 pm and sat down at In collaboration with my 4.50 pm, having spoken for Rt Hon and Noble Friend, the 1 hr 15 mins.

## Kinnock condemns 'juggling with taxes'

MR NEIL KINNOCK, the Employment Committee Labour leader, described the Lords select committee Budget as an "exercise in tax juggling" which was irrelevant to the main problems of

He accused Mr Nigel Lawson, he Chancellor of the the Chancellor of the Exchequer, of again failing to take the action needed to restore Britain's manufacturing hase—a task made all the more urgent by the rapid decline in revenue from North Sea oil.

Mr Kinnock taunted the Prime Minister with the fact and for measures to develop that her continued insistence and redevelop modern manuthat there was no alternative to the economic policy being pur-sued by the Government was being increasingly challenged by members of her own Cahinet as well as by Tory back-benchers.

He declared: "This is a fudge-it Budget from a Government that for seven years has worn away the industrial base of the nation and wasted huge amounts of wealth in a rake's progress paid for with oil

Mr Kinnock clearly surprised many Conservative MPs by claiming that the Government had borrowed more than any of its predecessors, and was not deterred by their shouts that the alternative policies advocated by Labour involved more Government spending. .

He told his critics: "There that is not spending, and of the basic rate of income tax paying the bills of idleness." but its success in reducing Mr Kinnock emphasised that unemployment.

the need for a different He suggested that a fall in approach had been recognised the number of unemployed at

Employment Committee, the Lords select committee on over-

All of them, he said, had insisted that there must be alternatives to the Govern-While there were wide

while there were wide differences of view about the scale and pace of any alterna-tive measures, there was general agreement on the need for major increases in expenditure on job creating pro-grammes in the public sector facturing industry to provide a basis for future earnings for the nation.
The Labour leader scoffed at

the rejoicing on the Tory benches over the 1p reduction in the basic rate of income tax and told them: "You've only got to reduce it by another 5p in order to get the tax burden down to the level it was in The Chancellor's approach to

those in the City vho had benefited "stupendously" from the variety of measures intro-duced by the Government had been typically faint-hearted. Mr Kinnock insisted: "These people on very high salaries and very high returns should be made to pay their way in

be made to pay their way in our society." Sir Kenneth Lewis (C. Stam-ford and Spalding) warned that the gravest issue facing the is only one thing more Government at the next general expensive for this country — election would not be the level



Mr Neil Kinnock: This is a fudge-it Budget

As this was going to take "quite tackle the great deal of work a bit of stimulus," it was dis-appointing that the Chancellor had not felt able to do more at the present time. Sir Kenneth argued that, in a few months, people would see little difference between the

basic rate of income tax of 29p and that of 30p and said the question which needed to be asked was how the pump could be primed so that people were invest up to £200 a month in a

that needed to be done.

Mr Richard Walnwright (Lib, Coine Valley) accused the Chancellor of displaying an "almost contemptious neglect" of the unemployed. Not only was it no use to them to say the basic rate of income tax had been reduced,

to tell them that they could

### **Business** leaders express delight

By Richard Evans

INDUSTRY AND business leaders gave an enthusiastic welcome to the Budget, which they regarded as a skilful and innovative blend of measures to benefit the economy. But reaction was much

more muted in Scotland, Wales and the North of Engrand, largely because of the perceived lack of impact on jobs. The TUC described it as "a pygmy Budget when we "a pygmy Budget when we are facing giant problems."

Sir Terence Beckett, direc-tor general of the Confedera-tion of British Industry, said the revenue raising proposals had skilfully avoided increas-ing inflation and the overall shape of the Budget should enable interest rates to be brought down. CBI members were clear

CBI members were clear that the priorities in the Budget should be to help the unemplayed. "We therefore welcome the concern the Chancellor has shown. The programme he has announced for the long-term unemployed will be a practical help."

The CBI also welcomed the "imaginative" extension of wider share ownership, the re-

wider share ownership, the reduction in stamp duty on share dealings, the "real improvements" in the treatment of smaller companies, and the abolition of the lifetime gift

tax.
The Institute of Directors The Institute of Directors was euphoric. Hailing the Budget as one of the "most innovative and breathtaking" for a long time, the IoD predicted that the Chancellor had regained the confidence of the business world. However, Dr John Constable, director general of the British Institute of Management, said the Budget was "over eautions and unimagin-

over cautious and unimagin-The Association of British Chambers of Commerce said that if a reduction in interest rates did not materialise rapidly, then the Budget would turn sour. But a warm welcome was given to the

measures to help small com-panies and to the abolition of the lifetime gifts tax. Mr Tony McBurnie, director general of the Institute of Marketing, said: "With further interest rate reduc-tions in the offing, the oppor-tunities now available to UK. companies in the international marketplace are better than they have been for decades."

Mr Norman Willis, general secretary of the TUC, said he help Britain compete in world markets and which would pro-

## Car tax unchanged but buses and taxis up 5%

In his Budget statement this average lorry.

In this Budget statement this average lorry.

Some specimen VED rates afternoon, the Chancellor of the Exchequer announced that most VED rates would be frozen for 1986-87. This means no increase in the rates for cars and light vans, motorcycles, or lorries (apart from farmers' goods vehicles, which are going up in line with the three year

phasing announced last year).

All lorry groups will, however, continue to cover their share of the costs of building, maintaining and policing the roads. When increases in DERV duty are taken into account, it is expected that larries' motor-ing tax will exceed their road

costs by some £305m.
VED rates for the hackney class (covering buses, coaches, and taxis) increase by 5 per cent. An increase is appropriate since buses and coaches do not pay their full share of road costs. The new rates have been set at about the level of infla-

are set out in the attached table. Where there are changes, these will come into effect for licences taken out after March Commenting on the Budget

proposals, Mr Nicholas Ridley, Transport Secretary, said: "I think the Chancellor's proposals on vehicle excise duty will be broadly welcomed by industry and commerce. The freeze in lorry rates will provide some lorry rates will provide some offset to increases in DERV duty while maintaining the principle, which operated fully for the first time last year, that every class of lorry should pay its way. its way.

The Transport Department's trade licensing scheme state-ment said: This year's Finance Bill will include a number of changes designed to improve the vehicle trade licensing for private cars (the PLG rate).

System with effect from January The increase will be phased in. next year. Mr Nicholas Ridley, Trans-

rates for farmers' vehicles are increased by varying amounts. This is the second
of three annual steps which
started last year to reduce conthe trade licensing system for transposed rates are:

Transposed ra

THE Transport Department cessions and move towards about 20 years," he said. "They issued post-Budget statements rates which are broadly proportionate to the mileage which sing into line with current trade licensists." trade licensing of vehicles. The farmers' vehicles do on the operational needs and make first said: ward and easier to understand.

"The new probationary trade licence will help those who are starting up in motor busines for the first time. At present, trade licences are normally only issued to already in operation and it can be difficult for new entrants to qualify for them. The introducduction of the probationary licence will allow the depart-

licence will allow the department a good deal more fexibility in considering applications for trade licences. The trade licensing facility is widely recognised by the motor trade as being a valuable concession. Recent increases in rates have, however, lagged far behind those for vehicles in normal use. To regularise the position and take account of the improvements mentioned above, the trade licensing rate will in future be linked to that From January 1 1987 the proposed rates are:

## Changes in company cars tax

issued the following post-Budget statement: The Chancel-lor proposes in his Budget some changes to the scale charge for taxing cars and car fuel benefits of company cars proided for directors and "higher

paid " employees.
From April 6 1987, the present 1300cc and 1800cc 1401 cc (1301 cc)

2000 cc (1300 cc) hese scales will be changed, on a broadly revenue neutral basis, to 1400cc and 2000cc respectively to align them with the proposed European Community Directive on car exhaust emis sions. The restructured scale charges for car benefits, but not those for car fuel benefits, will then be increased by 10 per charges for more expensive cars and for cars without an engine rated in cc's will also be increased by 10 per cent, but the market-value breakpoints

for these cars are to remain unchanged. The Chancellor also proposes that from the same date, the car fuel benefit scale should be Scale Charges basic-rafe
Age of Car at End of Relevant Year of Ass

More than 2000 cc CAR BENEFIT: CARS WITH ORIGINAL MARKET VALUE OF £19,250 OR MORE

SCALE CHARGES basic rate targoayer
Age of Car at End of Relevant Age of Car at End of Relevant
Year of Assessment
Year of Assessment :19,250 or more ทางาe than £29,000 ... 1450 (1320) 970 (875) More than £29,000 2300 (2100) 1530 (1400)

These scale charges and the cash equivalents" in the legisproposed changes affect the lation) and breakpoints in tax liability of directors, and respect of company cars and of employees earning at a rate fuel used for private motoring of £8,500 a year or more are contained in Finance Act (including the value of any 1976, and may be varied by used both for income tax pur- (including the value of any 1976, and may be varied by poses and to assess the VAT benefits etc), who are provided Treasury Order. Orders cover-

due on petrol used for private with a company car that is ing these proposed changes for journeys by registered traders also available for private use. 1987-88 will be laid before and their employees.

The scale charges ("taxable Parliament shortly."

### THE BUDGET: Details

## Dollar price casts uncertainty on N Sea revenues

AFTER the Chancellor's speech the Treasury issued the following statement on government revenue from the North Sea.

THE FINANCIAL Statement and Budget Report (FSBR) contains projections of Government revenues from North Sea oil and gas over the period to 1989-90.

Such projections are subject to a number of major uncertainties, the main one at present being the dollar oil price. The revenue projections in the FSBR assume an average North Sea (and world) dollar oil price of \$15 per barrel for the rest of 1986 and in 1987. Thereafter, average North Sea (and world) dollar oil prices are assumed to rise broadly in line with infla-tion. These assumptions about oil prices-together with those for the \$-£ exchange rate, North Sea oil production and company expenditures—imply a fall in

OIL PRODUCTION FORECASTS\*

1978 1979 Forecasts made in 95-115 99-110 90-110 85-105 80-85 55-70 60-70 55-65 75-95 80-95 80-95 70-80 100-129 100-129 95-115 85-195 80-95 \*\*\*\*\*\*\*\*\* 115-140 95-130 95-135 85-115 90-120 90-115 95-125 95-125 95-125 95-125 110-130 120-135 115-140 90-120 85-110 7-4--1----\*\*\*\*\*\*\*\*\*\* \*\*\*\*\*\*\*\*\*\* 100-125 110-130 1-----120-135 110-130 100-125 90-120 103.2 114.7 125.9

1985 FSBR, but the same as in force the 1985 Autumn Statement. The large fall in oil prices since This North Sea oil revenues from 1985-86 revenues. In £111bn in 1985-86 to £6bn in 1986-87, revenues are projected

forecast of North Sea produc-

November 1985 came too late in rent projection of North Sea the financial year to have much revenues and compares it with forecasts published by other forecasting bodies. The substan-£11\frac{1}{2}bn in 1985-86 to £6bn in 1986-87, and to around £4bn a year thereafter.

In 1985-86 revenues at £11\frac{1}{2}bn are expected to be about £2bn to be £5\frac{1}{2}bn lower than in the tial revi 1985 FSBR reflecting the Treasury assumption of much lower dolution of much lower dolution are expected to be about £2bn dollar/sterling exchange rate subject. tial revisions now made to the Treasury projections illustrate the very wide margins of error Oil prices to which such projections are

lower than was projected in the only partly offset by a higher Revenue projections Revenue projections barrel in 1985, much as The accompanying table assumed at Budget time and shows the latest projection of about \$2 below the average Government revenues from the price in 1984. The average

Oil prices
The price of North Sea low of under \$26 a barrel in crude averaged about \$27½ a June and a high of over \$30

exchange rate.

Technical changes in oil taxation

## Onshore/offshore boundary more clearly defined

year, as last, has been to preserve stability in the oil taxation regime. Accordingly, no major changes are being made, although the Chancellor proposes a number of technical territorial sea. In certain areas, changes in his Budget:

a—To ensure that onshore/offshore boundary for the purposes of PRT coincides with the UK coastline;

the valuation of certain light technical anomaly will be cor. c Fields in Common Ownership gases sold on a long-term basis; rected, so that the boundary —Shared Use of Assets: 3—The c-To clarify the chargeable field for tariff and disposal the coastline of the UK.

a charge to PRT on certain receipts in cases of fields in b—PRT Valuation of Light tariff and disposal receipts. common ownership with shared Gases: 2. When gas or oil is Section 8 (3) (c), OTA 1983.

d—To remedy a defect in the from the producing company to oilfield (ie, it has been appordefinition of "associated company, PRT is tioned between fields in comcompany" in the Oil Taxation charged on the market value mon ownership), tariff and dis-Act 1975 ring fence corporation

DETAILS OF PROPOSED CHANGES

particularly to the west of Scotland, this runs at some a—To ensure that the mshore/offshore boundary for the purposes of PRT colucides with the UK coastline;

b—To improve the rules for purposes as "onshore." This the purposes as "onshore." This translation of contain light rected, so that the boundary —Shared Use of Assets: 3—The will now follow more closely Oil Taxation Act 1983 imposed use of assets, which received disposed of other than by way provides that where expenditheir development consents on the same day; disposed of other than by way provides that where expenditions of a sale at arm's length, for ture on a qualifying asset has the same day; when it is transferred been allowed in more than one

This will enable PRT valuatious to mirror the terms under which comparable gas is actually sold in the open

of that gas or oil. But the posal receipts are chargeable in normal valuation rules in the field which received its

2—Onshore / Offshore Boundary for PRT Purposes: 1. Until now, the onshore / offshore boundary for PRT purposes has been the baseline of the territorial sea. In certain areas, particularly to the west of Scotland, this runs at some identify the chargeable field.
The chargeable field for a participator will be that in which he is likely to make the greatest use of the asset. A similar amendment will be made to Paragraph 6 of Schedule 1 OTA 1983, in relation to the attribution of allowable expenditure.

> d Definition of "associated company" for Ring Fence Pro-visions: 4—Parft II of the Oil Taxation Act 1975 introduced a ring fence to prevent corpora-tion tax on profits from oil-extraction activities being ances will be implemented, croded by losses or other charges outside the ring fence. A minor, technical amendment ment published last July.

Schedule 3, paragraph 2, Oil development consent first. In to the definition of "associated company" in S.19 (3), Oil Taxafactory for ascertaining the allocating this charge where market value of light gases such fields have been given their remedy a defect in the present

OTHER ISSUES Incremental Investment in

Existing Fields: 5-Although he is proposing no special reliefs this year, the Chancellor has made clear that he regards the issue of the tax treatment of addition investment in existing fields ("incremental" investment) as still open. It is the Government's intention to keep this whole question under care-

Mines and Oil Wells Capital Allowances: 6—The Chancellor has confirmed that the proposals

a barrel in November. Prices dropped back in December and fell very sharply in the first quarter of 1986. In real terms, world oil prices in the first half of March were a little below the levels prevailing after the first oil price shock in 1973 (Chart 3.1 in the FSBR shows real oil prices since 1970). The oil

market developments under-lying this fall are described in paragraphs 3.10 to 3.12 of the FSBR. Royalty and PRT receipts in 1986-87 depend mainly on oil prices in 1986 calendar year while corporation tax receipts depend on prices in earlier years. The projections assume

a dollar oil price of \$15 per barrel for the rest of 1986 calendar year. The dollar/ sterling exchange rate is not assumed to change much. These assumptions imply an average sterling price in 1986 almost half that in 1985. Prices are assumed to remain at \$15 per barrel in 1987 and then to be broadly unchanged in rea terms. For the rest of 1986 terms. For the rest of 1986, and for the period beyond, prices in real terms are assumed to be rather below the level between 1974 and 1979.

Production in 1985 was 127.4m tonnes, a similar level to that in 1984, and at the centre of the production range for 1985 published in the 1985 Brown Book The levels of current and

capital spending (including exploration expenditure) are important determinants of the size of tax receipts because they are deductible, in part, for royalties and, in full, for petroleum revenue tax (PRT) and are allowed against corporation

Capital expenditure fell somewhat in 1985 due to the phasing of expenditure on fields under development. It is expected to recover in 1986 to a level similar to that in 1984, reflecting the development of new fields approved in 1985 and early 1986. Thereafter, the outlook is extremely uncertain, depending on company price expecta-tions often looking very far ahead. The projections assume some reduction in exploration and capital expenditure after

Sensitivity of North Sea revenue production

### TOTAL NORTH SEA OIL AND GAS REVENUES

			£bn, current prices . Autumn	
	FSBR 1984	FSBR 1985	Statement 1985	FSBR 1986
983-84	 9	9	9	9 .
954-85	 10	12	12	12
985-86	 91	13₺	11}	11;
986-87	 93	115		6
987-88	 91	91		Ă.
988-89	 ġ*	81		Ā
984-90	 		_	4

### COMPOSITION OF NORTH SEA REVENUES

	Royalties	PRT	Ebn, current prices Corpora- tion tax Total
1985-86 1986-87	2.1 (2.5) 1.0	6.4 (8.2) 2.4	3.0 (2.8) 11.5 (13.5)

prices on revenues will also depend on the extent to which they affect company expectations of future oil prices and

hence company investment decisions. Ignoring such effects and assuming other things— including the exchange rate are unchanged, it is estimated that \$1 a barrel difference in oil prices in 1986 would change North Sea revenues by £400m in 1986-87 and by £500m in a full The full-year effect is greater than the first-year effect because the change in corporation tax would only be reflected in receipts in the second year. A 1 per cent difference in the

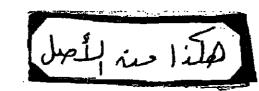
\$-£ exchange rate would affect revenues by \$65m in 1986-87 and £75m in a full year—again assuming no effects on the volume of company expenditures but allowing approximately for the effect on the sterling value of companies' dollar expenditures.

The effects on revenues of fields attraction different levels of North Sea treatments, production will depend estimates of projections: The outturn for crucially on where the change

North Sea revenues depends in production occurs because crucially on sterling oil prices, the tax position of individual and also on North Sea produc- fields is very different. and also on North Sea production and deductible expenditures. Sterling oil prices depend on dollar oil prices and the dollar/sterling exchange rate.

The effects of a change in oil, prices on revenues will a lso tonnes in oil production in 1986 would alter North Sea revenues by £55m in 1986-87 and by £60m in a full year. Comparison with outside fore

casts: The North Sea revenue projection in the FSBR for 1986-87 is close to the average of a sample of seven recently-published outside forecasts, although the underlying price assumption is over \$2 lower than that implied by the outside average. The Treasury's projec-tion for production is higher than the outside average in 1986 but not by a sufficient amount to offset the difference arising from the lower dollar oil price assumption. The remaining difference between the FSBR projection, and outside forecasts may reflect, among other factors, different projections for company expenditures, as well as different assumed distribution of production fields attracting different tax estimates of corporation tax



THE financial statement and Budget Report published vesterday announced the following proposed tax changes:

The main lax changes pro-posed in the Budget are sum-marised below. A full list of changes is given in the accom-panying table.

The basic rate of income tax will be reduced to 29 per cent. Income tax personal allow-ances will be increased in line with the statutory indexation provisions (based on the increase of 5.7 per cent in the RPI in the year to December 1985). This will mean that: The single person's and wife's earned income allowances will rise from £2,205 to £2,335.

The married allowance will rise from £3,455 to £3,655.

The age allowance will rise from 2,690 to £2,850 (single) and from £4,255 to £4,505 (married) and the income limit from £8,800 to £9,400.

The additional personal allowance and widow's bereavement allowance will rise from £1,250 to £1,320.

The uprating date for social security benefits is being changed from November to April. As part of the transi-tional arrangements there will be an additional interim up-rating in July 1986. Excepdecided to exempt from income tax the amount of the increase vision will be made to charge sion fund surpluses will be payable in 1986-87 on retirement gifts in relation to which the pensions and linked long term benefit. The exempt amount Pension funds' assets and

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UK practice on the taxation of visiting entertainers and be increased from Budget day, sportsmen will be brought into line with that in most other OECD countries by the introduction of deduction of tax at source, and other measures.

The new surpreparate will not equities. Shares held in such

will remain unchanged.

Duties on road fuels will go up by a little more than 8 per cent or the equivalent of approximately 7½p on a gallon of derv.

The dury of the summer of the summer of the summer of the employer's hands at a rate of 40 ner cent of the summer of the employer's hands at a rate of 40 ner cent of the dury will be the employer's hands at a rate of 40 ner cent of the summer of the trustees to decide.

will remain unchanged. The duty rates on buses, coaches and taxis will rise by 5 per cent.

The Business Expansion
The Business Expansion
Scheme (BES) was due to come the autumn;
Scheme (BES) was due to come the autumn;
Is proposed to continue it indefinitely and to exempt new BES shares from capital gains tax on first sale, Certain low risk activities including those with high asset-backing are to be excluded. Certain forms of with high asset-backing are to be excluded. Certain forms of chartering of UK-registered ships are to be included.

The lifetime capital transfer tax charge is to be abolished for all gifts between individuals made on or after Budget day. There will, however, remain a against abuse apply;

April 1987 the car ruel benefit against abuse apply;

Charge to enable employee controlled companies and worker co-operatives more easily to take advantage of existing known as the inheritance tax.

Under the new arrangements, there will continue to be a charge on transfers involving charge and commanies.

Prosent rules relating to pensor the salues apply;

There will be a new scheme from April 1987 the car ruel benefit against abuse apply;

There will be a new scheme from April 1987 the car ruel benefit against abuse apply;

There will be a new scheme from April 1987 the car ruel benefit against abuse apply;

There will be a new scheme from April 1987 the car ruel benefit against abuse apply;

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There will be a new scheme from April 1987 the car ruel benefit against abuse apply;

There will be a new scheme from April 1987 the car ruel benefit against abuse apply;

There will be a new scheme from April 1987 the car ruel benefit against abuse apply;

There will be a new scheme from April 1987 to encourage income tax purposes and to charity through deductions from their wages and salaries.

Employees whose employers whose employers whose of the ruel benefit against abuse apply;

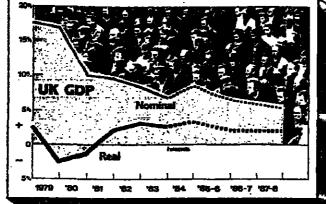
There will be a new scheme from April 1987 to encourage income tax purposes and to charity through deductions from their wages and salaries.

Employees whose employers whose employers in business cars.

Value added tax: From March able to get tax relief on donations from their wages and salaries.

There will be a new scheme from April 1987 to encourage income tax purposes and to charity through deductions from their wages and salaries.

Employees whose employers in business cars. tax on transfers made on death.



CAPITAL	INCOME TA
RANSFER TAX	THRESHOLD

Tax rate

0-17,200 17,201-20,200

20,201-25,400 25,401-33,300 33,301-41,200

chargeable value £000
0-71
71-95
95-129
129-164 164-206
206-257
257-317
Over 317

and rate bands of the tax will donor may continue to enjoy a be increased from Budget day, assumptions advised by the

A new scheme, known as Government Actuary. Personal Equity Plans, will be • Where such valuation shows source, and other measures. The new arrangements will not come into effect until 1987-88.

The specific duties on cigarettes and hand rolling tobacco will rise by about 13½ per cent, equivalent to just over 11p on a packet of 20 cigarettes. Those on pipe tobacco and cigars will remain unchanged.

Individuals to invest directly in equities. Shares held in such plans will be free of any tax on both capital gains and reinvested dividend income. Investment of up to £2,400 will be permitted each year and the shares will have to be held for a minimum period of not more than two years.

The rate of stamp duty on

The duty on cars, light vans, motor cycles and most lorries will remain unchanged. The duty rates on buses careful and the company reconstruction): from March 19.

• Certain loan stock: from to less than 5 per cent.

• Certain loan stock: from Charitable giving: Four new

The following measures will be taken to encourage further the spread of aproved employee

present rules relating to peu- tions of up to £100 a year;

 VAT relief will be available on distress alarms and lifts for the handicapped and their charities, non-classified press advertising by charities, medicinal products supplied to charities, video and referera-tion equipment used in medical applications by certain eligible bodies including charities, welfare vehicles used by such bodies to transport the deaf, blind and mentally handicapped, and recording equipment used by charities for the blind.

Measures are also to be taken io prevent abuse of the tax

Business taxation: The small companies' rate of corporation tax will be reduced to 29 per cent. As a consequence of the reduction in the basic rate of income tax, the rate of advance corporation tax (ACT) will be reduced to 29/71sts of the distribution. To reinforce this link between the rates the Finance Bill will contain a pro-vision for the ACT rate to be adjusted automatically in line with future changes in the basic

The final stage in the business lax reforms introduced in 1984 will take effect on April 1 1986 with the reduction in the main corporation tax rate to 35 per

pleted by updating the mines

an actuarial surplus of assets over liabilities of more than 5 agricultural buildings and works per cent, the trustees shall be required to reduce it to not more than 5 per cent by (i) an increase in pension benefits (within existing limits), or (ii)

updating of the mines and oil wells capital allowances code, no other changes are being day by either employer or employee, or (iii) a refund to proposed to oil taxation apart from technical changes to 25 the employer, or (iv) by any combination of these measures, remove some anomalies.

with the statutory indexation provisions from £5,900 to £6,300 from £2,950 to £3,150 in the case of most trusts.

The present annual limit of fi10,000 on the amount of charitable giving through deeds of covenant for which an individual taxpayer may claim

The present annual limit of proposed European Community charitable giving through deeds of covenant for which an individual taxpayer may claim

The resulting scale charges for car benefits (but not car benefits)

## DIRECT EFFECTS OF CHANGES IN TAXATION AND NATIONAL INSURANCE

cent and (with a few mainly transitional exceptions) the full implementation of this new system of capital allowances. These reforms will be com-

and oil well capital allowance code and adapting the system of allowances for agricultural buildings. In order to provide a full 19 measure of tax depreciation for

with a short life, taxpayers may choose to take balancing adjustments on their disposal or Oil taxation: Except for the a contribution reduction or holi-

> Capital gains tax: The capital 36 gains tax annual exempt amount is to be increased in accordance

Car and car fuel benefits: The scales which determine the taxable cosh equivalents of car and car fuel benefits in respect

The resulting scale charges for car benefits (but not car abolished — restrictions will be disposed of when the employment ends;

Changes to enable employee

The resulting scale charges for car benefits (but not car fuel benefits) will be increased by 10 per cent for 1987-88. From April 1987 the car fuel benefit

_		6334	0486	0250		9430	Dasc	
į	NLAND REVENUE				33 Relief for single donations to charity		_	
1	ncome (ax				by companies		:	
•	Reduction of 1p in basic rate	-830	-830	-1.245	34 Luans by close companies	-	•	
	2 Increase in single allowance of £130				35 Transfer of losses on company recon-	-		
	and married allowance of £200	_	-895	-1.130	struction			_
	3 Increase in additional personal allow-				Corporation tax and capital gains tax			
	ance and widow's bereavement allow-				36 Small part disposals of land			_
	ance of £70	_	- 10	<b>— 10</b>	Oil taxation			-
	a inclease in age allowance of Flob				37 Technical changes to remove			
	(single and £250 (married) and income				<del>-</del>			
	limit of £600		-115	145				
	o increase in basic rate limit of £1.000				Capital gains tax			
	to £17,200		- 70	- 115	38 Indexation of annual exempt amount			_
	o Changes to further higher rate				39 Restriction of holdover relief for dual			
	thresholds	+ 15	- 35	<b>– 70</b>	resident trusts	_		
	thresholds 7 Abolition of higher rate relief limit							_
	for charitable covenants	•	•	- 5	Capital transfer tax (inheritance tax)			_
	8 Relief for charitable donations				40 Abolition of lifetime charge on trans-			
	through payroll deduction schemes	_	_	- 20	fers between individuals and con-			
	9 Changes in rules for tax treatment of				sequential changes ,	- 35	- 35	
	visiting entertainers and sportsmen	_	_	+ 75	41 Indexation of chargeable rate bands		- 20	
1	O Fringe benefits—car and car fuel			7 10	<del></del>			_
•	engles benefits — cat and car thei			+ 15	Stamp duties			
	scales	_	_	A 19	42 Reduction in rate on shares to ½ per	<del></del>		_
,	1 Changes to relief for overseas travel		- 10	-	cent from autumn 1986	<b>- 70</b>	- 70	
-	expenses	- 10	- 10	- 5	43 Changes from March 19 1986	+ 50	+ 50	
1	2 Exemption for 1986-87 of July increase					+ 20	+ 20	
	in retirement pensions and linked long	_			44 Other changes from autumn 1986			_
_	term benefits	<b>– 15</b>	<b>– 15</b>	•	TOTAL INLAND REVENUE	-975	-2,135	
1	a Changes in iavaiion of employee share							_
	acquisitions  4 Use of restricted shares in approved	•	•	•	CUSTOMS AND EXCISE			
1	4 Use of restricted shares in approved							
	employee share schemes		<	=	Value added tax			_
1	Use of shares providing employee				45 Increase in registration limits			
	control in approved employee share				46 Revised treatment of motoring			
	reposses approved embioses andre	•		•	expenses	_	_	
1	Schemes				46 Revised treatment of motoring			
1	Worker co-operatives' use of redeem-				47 New rules on disaggregation of regis-			
	able shares in approved profit-sharing	_	_	_			*	
	schemes	•	•	•	trations	-	-	
1	Exercise of options granted under				48 Revised treatment of hotels and			
	approved savings-related share option		_	.=	tourism	_	_	
_	schemes	•	*	•	49 Reliefs for charities and the handi-	••		
1	8 Change in basis of assessment of				capped	<b>— 10</b>	10	
	enterprise allowance		•	- 5	50 Direct exports	_	_	
3	Exemption of pensions paid to victims			-	51 Transfer of import relief	_	_	
_	of Nazi persecution		•	•	Excise duties			_
7	<del></del>					<del></del> _		_
_	come tax and capital gains tax				52 No change in rate of spirits duty	- 45	_	
2	Tax relief for Personal Equity Plans	*	•	- 25	53 No change in rate of beer duty	<b>- 95</b>	_	
	Business Expansion Scheme-con-				54 No change in rate of duty on cider			
_	tinuation beyond April 1987 and				and perry	5		
	changes in coverage	*	-	+ 10	55 No changes in rates of wine and made			
÷				. 20	wine duties	- 30	_	
Ш	scome tax and corporation tax				56 Increases in rates of duty on petrol etc	+110	+380	
2	Rules for pension funds surpluses	+ 29	+ 20	+120	57 Increase in rate of duty on derv	+ 30	÷ 95	
9	Mines and oil wells capital allowances		. =	- 45	50 No shange in rate of fuel oil down	- 5		
ó	Changes in agricultural buildings	_		- 20	58 No change in rate of fuel oil duty			
•	changes in agricultural outidings	-		•	59 Abolition of duty on most librucating	_ 10	_ 44	
	allowance rules	•	•	•	oils	- 10	- 10	
2	Changes in capital allowance rules for	_	_	_	60 Abolition of duty on AVTUR	- 10	- 10	
_	leased assets		-	•	61 Increase in rate of duty on gas oil	+ 25	+ 30	
3	VAT penalties, interest, surcharges			-	62 Increases in rates of tobacco products			
	and repayment supplement		•		duties	+175	+315	
Ŧ					63 Abolition of certain excise licences			
31	come (ax, corporation tax and capital				64 Northern Ireland betting and gaming		*	
	gains (ax	٠ .	-	1 00	65 Excise warehousing regulations	_		
	Charities: auti-avoidance measures		•	÷ 20				_
Z	Limiting scope of anti-bondwashing				TOTAL CUSETOMS AND EXCISE	+ 130	+790	
	provisions	*		•	Vehicle excise duty (VED)			

### Small increase in mortgage interest payments

AFTER THE Chancellor's speech the Inland Revenue issued the following statement The Chancellor proposes in interest relief limit for 1986-87 at £30,000 (the same as for Effect of the reduction in basic

provisions
29 Amendments to accrued income

Income tax, corporation tax, capital gains tax and capital transfer tax

30 Changes in relation to securities ......

Corporation tax
31 Reduction in rate of ACT to 29/71sts

rate: The Chancellor's proposal to reduce the basic rate of income tax from 30 per cent to 29 per cent for 1986-87 will affect the amount of the payments that borrowers make on loans within the MIRAS (mortgage interest relief at source) scheme.

Income tax should be de-trative. The actual amounts by 1986-87 tax year on April 6 1986. ducted from interest payments which mortgage payments will Deduction of tax at the rate of within Miras in 1986-87 at the alter depend on the borrower's 29 per cent applies to Miras new basic rate of 29 per cent. circumstances including the interest payable and paid on or ducted from interest payments within Miras in 1986-87 at the new basic rate of 29 per cent. The effect will generally be a small increase in the interest payments to be made. For example, on a home purchase loan of £20,000 at a rate of interest of 13 per cent the gross interest payable is £216.66 per month. At the present basic rate of 30 per cent the net monthly interest payable is £151.66. Under the new basic rate of 29 per cent this will be £153.83 per month. These figures are purely illus-

loan balance outstanding in the year and the rate of mortgage interest charged. In due course building societies and other other lenders to regard interest lenders will send details of for a year ended on March 31 revised payments to their as being that on which relief borrowers. Any queries about for the tax year ending on the

TOTAL CUSETOMS AND EXCISE ...... Vehicle excise duty (VED)

66 No change in VED on car, light van

TOTAL CHANGES IN TAXATION ..... -985 -1,350 -1,885

69 Bus fuel grants ......

• - 20 Negligible. - = Nil

effect from the start of the used for calculating payments

after that date. For accounting reasons it has been customary for some building societies and other lenders to regard interest the revised amounts payable should be addressed to the lenders concerned.

Effective date for basic rate change takes the basic rate of 29 per ceut can be been to the practice and there will be problems in switching to the strict April 5 basis the new basic rate of 29 per ceut can be

## Stamp duty halved to $\frac{1}{2}$ % and extended to takeovers and mergers

The lower rate of duty will in general take effect from the date of the Stock Exchange reforms ("big bang").

Transactions to be brought within the scope of taxation will include takeovers and mergers, intra-account deals, letters of allotment, purchases by a company of its own shares and certain loan stock.

There will be a special rate of duty of 5 per cent where shares are converted into

depositary recepits.

The package, which is expected to be revenue neutral, significantly improve the

United Kingdom's competitive position in the worldwide securities market; ownership;
• result in a fairer tax burden as between different financial

stamp duty on house purchases.

Rate of Duty: The new half
per cent ad valorem rate of
duty applies to sales of stock or marketable securities on or after "big bang" (planned for duty will not apply. It is also instruments executed on or proposed that ad valorem duty after March 25 unless executed which relate to transactions should not be payable (as it before "big bang" will conmay be in certain circumstances tinue to be liable to the one per at present) where the holder

cent duty. the bearer instrument head of charge will remain unchanged.

Depositary Receipts: Duty is to be charged at 5 per cent when United Kingdom charge with the charge of the ch Depositary Receipts: Duty is to be charged at 5 per cent when United Kingdom shares are "converted" into depositary receipts. At present stamp duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty and the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new Stamp Duty at the normal rate is applicable 1866. The new tates apply to any on or after March 25, unless it March 18.

The new tates apply to instruments apply to instruments apply to make the one or after March 25, unless it March 18.

The new tates apply to instruments apply to instruments apply to make the one or after March 25, unless it March 18.

The new tates apply to acceptances on or before on or after March 25, unless it March 18.

The new tates apply to acceptances on or before on or after March 25, unless it March 18.

The new tates apply to acceptances on or before on or after March 25, unless it March 18. at the normal rate is applicable when shares are transferred into the name of a nominee for however, bring within the scope

of duty to be imposed when shares are initially lodged with

person who is to hold the shares as nominee for a bank which issues depositary receipts. Where the transfer chargeable under the

chargeable under the "con-veyance or transfer on sale" head of charge, the 5 per cent duty applies to the considera-tion paid. Where, because the shares are deposited by the wider share owner in exchange for a depositary receipt, duty is chargeable under the con-veyance or transfer of any other

Where shares are transferred between one depositary and another the ad valorem stamp surrenders a depositary receipt

Reserve Tax (see below) will, a bank which issues depositary of the 5 per cent charge shares receipts; but transfers of deposited on or after March 19 depositary receipts, unlike

THE CHANCELLOR proposes to eut from 1 per cent to half per cent the rate of stamp duty on share transactions, and to broaden the base of the duty and tax various share deals which are at present exempt.

The lower rate of duty will in general take effect from the company.

shares are initially lodged with a depositary bank is designed to ensure that there is no fiscal advantage in buying UK shares in depositary receipt form.

The new charge will apply where United Kingdom stocks and shares or other marketable securities are transferred to the person who is to hold the shares.

These provisions will not apply to the clearance facilities provided by the Stock Echange for which a statutory composition arrangement will contain proposals which will enable other clearing houses to enter into similar arrangements. Takeovers, Mergers, etc: The exemptions from sale duty for the following transactions are being drawn:

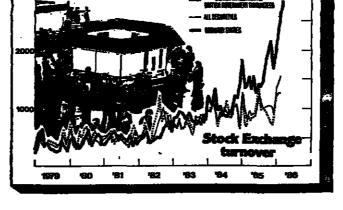
i. Takeovers and transfers of shares on a winding up (provided by Sections 78, 79 and 80 of the Finance Act 1985); Schemes of reconstruction and amalgamation (provided by Section 55 of the Finance Act 1927 and Section 4 Fin-ance Act (Northern Ireland) 1928); and

s between different financial kind " head of charge, the 5 iii. Demergers (provided by paragraph 12(1) Schedule 18 tamp duty on house purchases.

Rate of Duty: The new half

provisions will in future pay duty at a rate of half per cent. The new rules will apply to in pursuance of an unconditional contract made on or before March 18. The original exemptions will still, however, be The rate of duty chargeable and the underlying securities available for instruments on instruments which fall under are transferred into his name. executed on or after March 25 if the transfer is of shares, and it is the result of a general offer This new exemption will which became unconditional as apply to instruments executed

tions which do not involve any



part of a scheme of reconstruc-tion. In summary, the following conditions apply:

more than the i per cent rate after "big bang."

Loan Capital: The exemptions

The acquiring company is a United Kingdom company. Shares in the acquiring com-pany are issued to all the shareholders of the company from which the undertaking

• The shares are issued on a pro-rata basis to the share-holders of the other company. There is no other considera-

is being acquired and no one

tion apart from the assump-tion or discharge by the acquiring company of the other company's liabilities. The acquisition is for bona fide commercial reasons and

does not form part of a scheme for the avoidance of tax or stamp duty. This new exemption will to acceptances on or before on or after March 25, unless March 18. The other relief will broadly

for transfers of some loan stock are being withdrawn. Sale duty will, therefore, he payable in future on transfers of loan capital including local authority

The following will however, continue to be exempt:

 gilt edged securities
 loans raised by various international organisations where the UK is under a treaty obligation to provide an exemption from tax. loan stock in bearer form (eg the type of securities dealt with in the euro-bond

market). short term loans for whatever purpose: ie loans where the date for repayment is not more than five years after the date on which the loan is issued or raised.

Transfers of loan stock to which the charge applies will pay duty at the new i per cent rate immediately—ie where the instrument is executed after March 24 unless it is in pursuance of a contract made on or suance of a contract made on or suance of a contract made on or such as the state of the state of

real change in ownership ensure that transfers of property remain exempt. The exemption (as distinct from shares) at will apply only where a company acquires an undertaking as ensure that transfers of property suance of a contract made on or before March 18 1986.

Purchase of Own Shares. The provisions to be repealed pay no Finance Bill will contain protection from sale duty

sale duty where, on or after allotment and similar instru-"big bang," a company buys its ments. Section 81 withdrew the own shares. Duty is not at present payable in these circum-

Letters of Allotment. As part of the policy of broadening the base of the charge, exemptions for letters of allotment are for letters of allotment are being withdrawn. A charge is not being imposed on letters giving the holder the right to an allotment of gilt edged securities.

The Section did not, however, apply to "bearer letters of allotment" and this has resulted in a number of schemes for avoiding payment of stamp duty by the use of bearer letters of allotment. To The exemption from sale duty

for renounceable letters of allotment etc in respect of securities subject to stamp duty is being withdrawn from "big bang." When new shares are to be issued (for example when a company obtains a listing or there is a rights issue) subscribers are frequently given a renounceable letter of allotment which gives the holder rights to the shares to be issued. Provided the renunciation period does not exceed six months any sale of the rights to the shares is at present exempt from stamp

Before the letter of allotment can be exchanged for shares, stamp duty will in future have to be paid where the person to to whom the letter of allotment was issued or from a person to whom those rights were sold. The Stamp Duty Reserve Tax (see below) will apply to intermediate sales.

The exemption for "herest page of the Financial Services Bill.

The exemption for "herest page of the Financial Services Bill will enable the Inland Revenue to the

letters of allotment" is being withdrawn with effect from March 25. Section 81 of the Finance Act 1985 was intended to end a device (the so-called Pref-Trick) which has been used to avoid payment of stamp

posals for imposing a charge to for renounceable letters of ments were used in connection with a takeover or the acquisition of a minority holding following a successful bid.

The Section did not, however stop these schemes, it is pro-posed to withdraw the exemption for bearer letters of allot-ment with effect from March 25. Transactions which do not give rise to stamp duty: A charge (Stamp Duty Reserve Tax) is to be imposed with effect from "big bang" on certain share transactions which

Although stamp duty is in principle payable on any purchase of shares, it has in practice to be paid only if the purchase has to be evidenced in writing and the share register is kept in his country. If a transaction is effected orally, or arises solely from the conduct of the parties, there is

do not in practice attract stamp

acts both for the seller and purchaser, or transfers of letters

of allotment. A charge will be imposed on unless the sale is evidenced by a duly stamped instrument. The charge will not, however, apply

ii. Stock or securities chargeable under the bearer head of charge;
Depository certificates to

which the new 5 per cent duty relates; iv. Any traded option within the meaning of Section 137(9) CGTA.

The charge will apply generally to transactions that take place after "big bang." It will, however, also apply where shares are deposited on or after March 19 with a bank which issues depositary receipts where the new 5 per cent stamp duty rate has not been stamp duty rate has not been paid. In these circumstances the tax will be at the special 5 per cent rate and not at the general half per cent rate. Further details will be given when the Finance Bill is pub-

Stock Exchange Reforms. To provide continuity of treatment, the stamp duty exemption for stock acquired by a jobber is to apply after "big bang" to all Stock Exchange market makers for the stocks in which thou are registered. they are registered.

The Finance Bill will provide for the exemption to apply to registered market makers of others Recognised Investment

payment of stamp duty on transactions cleared.

Temporary statutory effect A charge will be imposed on the purchase of any shares etc unless the sale is evidenced by be moved at the end of the debate on the Budget Statement. In general the changes will apply to instruments i. Any stocks or shares executed on or after March 25 exempt from sale duty (for which relate to transactions example gilt edged securithat take place on or after March 19.

## Substantial growth likely in domestic spending and exports

term prospects for the period to mid-1986. It said:

There were further sizeable increases in both exports and business investment in 1985. For the forecast period, substantial growth is likely not only in most areas of domestic spending but also in exports. Total domestic production and manufacturing output are both expected to record further growth of some 21-3 per cent.

Employment has continued to rise, with over 200,000 extra jobs in the year to September In spite of this, there has been some further rise in unemployed claimants over the last year. However, the labour force is now expected to grow less rapidly, and prospects for unemployment are better than

less rapidly, and prospects for unemployment are better than for some years.

After rising in the early months of 1985, inflation has been on a downward path since June, and in January 1986 the RPI increase over the previous year was 5½ per cent. The inflation rate is expected to fall quite sharply over the coming months and is forecast to be 3½ grew by roughly the same amount in absolute terms. months of 1985, inflation has been on a downward path since June, and in January 1986 the RPI increase over the previous year was 5½ per cent. The inflation rate is expected to fall quite sharply over the coming months and is forecast to be 3½ to forethe overthe country. per cent in the fourth quarter

The UK forecast is based on the assumption that fiscal and monetary policies are set within the framework of the MTFS. Oil prices, both North Sea and world, are assumed to average \$15 per barrel for the rest of 1986. Neither the sterling index nor the sterling/dollar exchange rate is assumed to

Output in the world economy Output in the world economy has now been rising since early 1983, and inflation has been coming down since 1980. Assisted by further moves to lower interest rates, a period of low inflation and good growth in output and trade is in prospect. Many of the problems arising from payments imarising from payments imbalances and debt repayments will remain. But the benefits to trade, output and inflation from the fall in oil prices should

prove substantial. Exports have grown strongly over the last two years. The current account of the balance of payments is expected to remain in sizeable surplus despite the big fall in oil prices. despite the nig rail in on prices.
Offsets include higher export earnings on other goods, lower profits earned by foreign oil companies in the North Sea, and higher earnings from the HE's stock of overseas assets.

UK's stock of overseas assets. World economy: After a spurt in 1983 and the first half of 1984, US economic growth has slowed down sharply. By the final quarter of 1985 real:GNP was 2½ per cent higher than a year earlier. The performance of the US economy has strongly influenced the pattern of economic growth in other major industrialised countries.

In Japan and Germany, in particular, output grew signifiantly faster than domestic demand in both 1984 and 1985, to the substantial contribution demand, stemming in large part from the US. More recently the recovery in Europe has strengthened and growth has become less dependent on exports to the US. In Japan, growth has shown some signs of slackening, although remaining high by European standards.

Domestic demand is now

growing at similar rates in the US and other major industrialised countries. But the effect of much faster growth between 1982 and 1984 in the US, together with the effects of the rise-still only partially reversed-in the dollar, are

reducing these imbalances over the past year. Slower growth in the US has not only reduced countries may grow by about

THE financial statement pub-lished yesterday outlined short-also contributed to lower interest rates and a fall in the dollar. The latter was helped by the Plaza Agreement of 22 September 1985 between the Finance Ministers of the Group

> of Five. The rate of world inflation fell further in 1985; consumer prices in the major industrialised countries increased on average by about 4 per cent, compared with over 41 per cent in 1984. This has been associated with a continuing weakness in primary product prices.

prices have fallen sharply. Before the first oil price shock the non-Communist world demand for oil was around 48m barrels per day, and about 30mbd of

amount in absolute terms. Chart 3.2 shows total oil production; this is the sum of Opec and non-Opec production (the latter defined to include net exports of oil from the Communist bloc) and is equal to non-Communist world con-

non-Opec supplies have continued to rise steadily. Opec's tively the residual source of suply, and demand for Opec

Towards the end of 1985, production, has produced a sharp fall in prices.

Total demand and supply for oil may respond only gradually even to the large fall in price, to be present for sometime.

This forecast assumes that prices will average \$15 per barrel for the rest of 1986 and throughout 1987 — rather because the level

to strengthen significantly over the next year or so, since with some exceptions (for example porary shortfall in the coffee crop), supplies are abunstocks relatively dant and stocks relatively high. The industrial countries can therefore expect further improvements in their terms of trade, raising real incomes and

seen in the pattern of current to compensate for a slowdown account balances: a large deficit in the growth of exports. In the US and large surpluses most European countries the

sumption plus stockbuilding.
Experience since the second 1979 has been very different. Demand for oil has fallen and pricing policy made it effec oil nearly halved from about 31½ m b/d in 1979 to less than 17½m b/d on average in 1985 Saudi Arabia's production fell particularly sharply.

Saudi Aradia indicated that it was no longer prepared to hold its own production at very low levels in order to maintain the existing level of prices. The resulting increase in supply, combined with no sign that other producers were prepared to make offsetting cuts in their

and so excess capacity is likely low, in real terms, the level between 1974 and 1979.

The prices of most other primary products are also unlikely enabling inflation to fall fur-ther (See accompanying table).

The growth of real GNP in the US should pick up in 1986, benefiting from lower oil prices and from the effect of the lower dollar on trade. Consumers' expenditure, while growing more slowly than in recent years, should be helped by the lagged effects of lower interest rates and rises in asset prices.
Growth in Japan may be weaker than usual in 1986 as the expansion of domestic demand may not be sufficient to compensate for a slowdown in Germany and Japan.

There have, though, been a strengthen in 1986, with the number of helpful steps towards rate of growth increasing, reducing these imbalances over

UK oil production North sea oil **240** FORECASTS OF EXPENDITURE. IMPORTS AND GROSS

## **DOMESTIC PRODUCT**

								£br	1 at 1980 prid	ces, seaso	naffy adjusted
	Consumers'	General government consumption	Total fixed Investment	Exports of goods and services	Change In stocks	Total final expenditure	Less imports of goods and services	Less adjust- ment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1960 = 100
1981	136.5	48.9	37.9	62.0	-2.5	282,9	57.9	30.0	<del>-</del> 0.5	196.5	98.6
4000	137.6	49.4	40.1	62.8	-1.1	288.7	58.7	30.6	0.7	200.1	100.4
	142.9	50.2	42.2	64.4	0.7	300.4	62.1	31.5	9.1	206.7	103.7
1004	145.6	50.9	45.5	69.1	-0.1	310.9	68.0	32.7	2.6	212.1	106.4
1000	149.6	51.2	45.9	73.2	ŏ.9	326.9	70.1	33.6	1.8	219. <del>0</del>	109.9
1000	155.5	51.6	48.2	76.8	0.8	332.8	74.2	34.8	1.8	225.8	113.3
	72,6	25.2	22.7	33.7	-0.3	153.9	32.9	16.3	0.6	105.3	105.6
770	73.0	25.7	22.8	35.4	Ŏ.Ĩ	157.0	35.1	16.4	1.4	106.9	1 <del>0</del> 7.3
	74.0	25.5	23.2	36.8	6.2	159.7	35.0	16.6	1.0	109.1	109.4
1985 Hi	75.7	25.7	22.7	26.4	ŏ. <del>7</del>	161.2	35.1	17.0	0.9	110.0	110.4
H2	76.9	25.7 25.7	24.1	38.1	0.2	165.1	36.5	17.2	9.8	112.2	112.6
1986 H1	78. <b>6</b>	25.1 25.8	24.0	38.7	9.6	167.7	37.6	17.5	1.0	113.6	114. <del>0</del>
H2			24.2	39.3	0.7	179.0	38.3	17.7	0.9	114.9	115.8
1987 H1	7 <del>9</del> .9	25.9	22.0	93.4	0.1	714.0	4		<b>4</b>		
Per cent changes				_						91	91
1983 to 1984	2	11	8	7		31	91	31	_	2 <u>‡</u>	2 <del>1</del>
1984 to 1985	3	į	. 1	6		3	3	3.	_	31	3 į
1985 to 1986	4	1	5	5	_	31	6	31	_	3.	<u>ئ</u>
1986 H1 to 1987 H1	4	ł	0	3	_	3	5	3		강	21
	-										

	F	MPI	OYM	FNT		•	
	Thousands, ch				ployment Self	E HM	mployed labour
		Male	time		employed	Forces	force
mher	1983 to September 1984	-105	+19	+174	+236	+3	+348
h	1094 to September 1985	- 195	+20	+181	+125	-2	+219

countries and the reduced cost

This picture of world activity growth is likely to be strongest appreciated most over the past oil producers' imports. Overest

(by over 20 per cent against a basket of other currencies) per cent range for almost all since its peak in early 1985. In of the last three years, but they 1985 as a whole the sterling have recently fallen below 10 index was little different from per cent for the first time since 1984. There were however some 1973. Real yields on index-sizeable swings during the linked gilts have also been course of the year. The index relatively stable.

314 per cent over the next year. rose from a low point of 701 in Together with lower inflation January to a high of 841 in and interest rates in the major July before declining to 78 in December. The index declined of oil imports, this should pro- further in the opening months vide a better prospect for the of this year, as oil prices fell non-oil developing countries. Over the past year sterling has non-oil developing countries, Over the past year sterling has despite weak commodity prices. risen by about 30 per cent On the other hand, countries against the dollar, but fallen heavily dependent on oil against most other currencies. exports, particularly those with The forecast assumes that sterldebt problems, face severe ing will not change much, difficulties and will have to cut either in dollar or effective

Short-term interest rates fell is reflected in the pattern of during much of 1985 from the world trade growth. Import peak levels reached in February in oil-importing countries and January this year as sterling where exchange rates have weakened but in 1986 so far they have been a little below year. This points to rapid levels a year earlier. However, growth of imports into Europe, on average in 1985, 86 short Japan and many developing rates, at 12 per cent, have been countries, but to large falls in a point or so above the levels of 1984-85 and several points import growth in 1986 should above levels in the US and most be well above that of 1985.

Financial conditions: The dollar has declined substantially more stable. Yields on 20 year gilts have been within the 10-11 of the last three years, but they

MO was near the centre of its target range in the early months of 1985-86, but growth months of 1985-86, but growth slowed during the course of the year, mainly in response to the increase in interest rates last winter: In recent months Mo growth has generally been just above the bottom of its target range. The annual increase in MO velocity has been relatively stable for many years now, and is expected to remain so.

Growth in the non-interestbearing component of MI. 3 per cent over the last year, has also slowed. This has been in response to higher interest rates and the increasing avail-ability of high interest cheque tributing to an acceleration in

The rate of growth of £M3 has risen during the course of 1985-86 and has been well above both the target range set in the 1985 MTFS and the growth of money GDP. With the funding needed to cover the PSBR, £M3 growth, at 14-15 per cent on a year earlier in recent months, has reflected a continued strong expansion of bank credit. Other broad aggregates have grown at much the same rate.

The rapid expansion of broad

 large extent the pace of finan-cial innovation and liberalisa-tion. Since over two-thirds of £M3 bears interest and is now an attractive means of holding financial wealth, the high level of real interest rates may have contributed to higher bank The higher levels of broad

100

money and debt in relation to incomes probably reflect a per-manent and continuing shift in the private sector's portfolio which is not likely to be reversed through higher spending. They are thus consistent with the slower growth of nominal incomes and fall in inflation contained in this fore-

although ments in the nominal exchange is projected for 1986. rate. As the accompanying table shows, the effects of a lower nominal exchange rate have heen broadly offset by unit labour cost increases at home above those in the UK's main overseas competitors, despite a on BP's Sohio subsidiary and ance. Assuming not much change in the exchange rate. the fell. UK's cost and price competitiveness in 1986 may be little different from the average of the last

three years. imports fell during the course of 1985. The exchange rate appreciated during the course of the year, inflation in the money and credit reflects to a developed world was low and other components of IPD as a

commodity prices were weak. result of a projected further By the final quarter of 1985 increase in the UK's net over-import prices of all goods and seas assets. services were 51 per cent lower

of the fall seems likely to be reversed by the end of 1986.

For 1985 as a whole, the terms of trade for goods were I per cent above those of 1984 because of the weakness of commodity prices (see Table 3.4). But the terms of trade are likely to be worse in 1986 because the price of oil has fallen relative to other goods and services. As oil has a greater share in UK exports than in imports, a fall in its price reduces export prices

for a time after 1980 as UK a lot export prices fell relative to those of other countries, but The since 1983 there has been little change. The forecast of exports of manufactures in volume terms is for further growth of 6 per cent in 1986, a little faster than the growth of UK export

Between 1982 and 1985 the growth in demand for manufactures (5½ per cent at an annual rate) has been shared by importers and domestic producers, with importers continuing to inpected to grow in 1986, because of further growth in investment and expenditure on consumer durables in particular. Growth in imports of manufactures in 1986 is forecast to be over 7 per cent, twice as fast as domestic demand growth, a relation-ship similar to that between 1982 and 1985.

The prospect is for a substantial fall in the surplus on trade in oil in 1986 as a result of lower oil prices, partly offset in the current account as a whole by reduced invisible earnings of foreign owned com-panies operating in the North Sea. Little change in oil production is expected and domestic demand for oil may be below the 1985 level which was osted by the coal strike.

The surplus on trade in services has more than doubled since 1982. 1985 was an exceptionally good year, with large gains in earnings from financial services, tourism and travel.
With imports of services, particularly tourism, likely to grow faster, the balance on services may show only a modest gain

The profile of the transfers balance is affected by the timing of official transactions European Com-Trade and the balance of pay- with the ments: The last two or three munity. As the bulk of the years as a whole have exhibited UK's rebate on its 1984 contrirelatively little change in most bution was delayed into the e com- first few days of 1986, the unit labour costs by 4 per cent. there transfers balance was unusually This was much faster than in have been large fort-term low in 1985, by about £ibn. swings associated with move- A correspondingly high figure On provisional estimates, the

surplus on interest, profits and dividends (IPD) fell in 1985. Earnings on UK investment overseas were depressed by a once-for-all write off of losses good UK productivity perform- UK banks' net earnings on their foreign currency business

In 1986 the surplus on IPD is expected to rise sharply.

Lower oil prices will reduce the profits of foreign oil com-Prices of most categories of panies operating in the North mports fell during the course Sea more than they reduce the overseas operations, and there should be a net rise in the

The accompanying table than a year earlier. About half summarises the current account of the fall seems likely to be and its main components. Allowing for the effects of the coal strike the current account was in sizeable surplus in each of the last three years and a substantial surplus is again forecast for 1986 and a further but reduced surplus is forecast for the first half of 1987.

On an underlying basis, the surplus in 1986 is expected to be lower than in 1985, as a result of the big fall in oil relative to import prices. The prices. The contribution of North Sea oil to the current account — defined here as the worsens the terms of trade in goods by 5 per cent. goods by 5 per cent.

UK exporters of manufactures

We approximately a subject of the second of the have gradually improved their 1985 to £3bn in 1986. The market share in volume terms since 1981. The value share fell components of the account over a longer period, relative to

> The UK's stock of net overseas assets is estimated to have been 25 per cent of GDP (almost £90bn) at the end of 1985, com-pared with 6 per cent of GDP (£12bn) in 1979.

Inflation: In the year to the fourth quarter of 1985 the RPI increased by 5½ per cent, a little more than forecast in last year's FSBR. In the middle of the year retail price inflation touched 7 per cent, reflecting, in particular, increases in mortcrease their share. Domestic gage interest rates in F-bruary demand for manufactures is expected to grow in 1986, because ness of sterling in late 1984 and early 1985. Between 1985 and January 1986 retail prices rose by only 1.1 per cent in total, helped by a fall in mortgage rates, by lower petrol prices, and a general easing of cost pressures.

Import prices declined during 1985 and in the final quarter were about 5 per cent lower than a year earlier. Prices of the manufacturing sector's materials and fuel inputs fell rapidly from their peak in February and by the end of the year were 6 per cent below their December 1984 level. The rate of increase in manufac-turing output prices started to slow down in the second half of

The underlying growth of average earnings (that is, abstracting from the effects of other temporary factors) continued at about 7½ per cent in 1985-little changed from 1984. With output per head growing at about 2 per cent (after allow ing for the effects of the coal strike) the growth in unit wage costs was about 51 per cent in 1985. United labour costs rose because of the abolition of the national insurance surcharge in October 1984. In the manufacturing sector, average earnings countries (see the accompanying chart). Pre-tax real earnings of employees increased by an average of 2-24 per cent between 1982 and 1985.

So far the current pay round is showing little sign of any significant change in the level of pay settlements or in the underlying rate of growth of average earnings in the private sector. Unit labour costs for the economy as a whole may rise by around 5 per cent in 1986. World commodity prices are likely to remain weak in

With oil prices in sterling terms falling by almost a half between 1985 and 1986, the overall cost of manufacturers' Continued on Page 21

### SHORT-TERM ECONOMIC **PROSPECTS**

<del></del>		ettota Stota
	Forecasts	torecast
A. Output and expenditure at constant		
1980 nrices		
Per cent changes 1985 to 1986:	31	1
Domestic demand	41	_
of which: Consumers' expenditure	4	1
General government consumption	1	1
Fixed investment	5	2
Change in stockbullding (as per cent		
of level of GDP)	0	ł
Exports of goods and services	5	2 <del>1</del>
Imports of goods and services	6	3
Gross domestic product: total	3	ł
manufacturing	3	2
B. Inflation	-	
B. Innation	per cent	
	changes	
1985Q4 to 1986Q4	31	1₺
1986Q2 to 1987Q2	3₹	2}
Deflator for GDP	-	_
at market prices per c	ent chang	es
	year earli	
Titanadal mana 1095.98	6	1
Financial year 1986-87	34	2
Fillandial Acar 1900-01 minutes	•	
C. Money GDP at market prices	ent chang	29
	year earli	
		11
Financial year 1985-86 Financial year 1986-87	ai.	ī.
Financial year 1300'01	-	-•
D. Balance of payments on current account	billion	
		2;
1986	31	3
1987 first half (at an annual rate)	12	•
r berr	£ billion*	
Financial year 1985-86Financial year 1986-87	1(2)	1(3)
	71143	5(1)

Per cent of GDP at merket prices shown in parentheses.

The errors relete to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications and government forecasts (see Economic Progress Report June 1981). The calculations of average errors are based on forecasts made between 1975 and 1984. The errors are after adjustment for the effects of major changes in fiscal policy where excluded from the forecasts.

### **WORLD ECONOMIC PROSPECTS**

1986	ecasts
3 <u>}</u> 2 <u>;</u>	4
21	15
51	51
52	5 <u>5</u>
1	5½ 5 Ianutactur

### GROSS FIXED DOMESTIC CAPITAL FORMATION

	£bn at		ges on a lier	
Business*	1980 prices 1984 29.2 9.5 6.8 45.5	1984 10 4 4 8	1985 2 0 5 1	Forecast 1986 5 5 2 2

t includes purchases less sales of land and existing buildings by persons companies and public corporations, other than purchases of council house.

### **WORLD IMPORT VOLUMES** ANNUAL GROWTH RATES

					Developing		
Weights in 1984	US 19	Japan 8	Europe* 0			Other 21	Total
1984		chang	ges on a		earlier	11	10
1985 Estimates		1	5 -		î	6	3
1986 Forecasts	_	9	8 -		. 7	6	5
<ul> <li>Germany, France, Uk</li> </ul>	i, Italy	, Neth	eriends and	d Bel	gium.		· .

### **OUTPUT PER HEAD**

Employe	d iabour	Per cent	changes in o	utput per
	e (m)	head	(annual ave	rages)
19	984	1964-73	1973-79	1979-85
	5 <u>1</u>	31	4	31
	3	3	<u> </u>	<u> </u>
Evoluties public services and	oil, and i	ociudes na	tionalised indu	stries except

## DOMESTIC DEMAND AND

Per cer	(at cons	s on a ye tant pric		
	1985	1986	1987 First haif	
Domestic demand Exports of goods and services Imports of goods and services	2½ 6 3	3 <u>1</u> 5 6	3 3 5	•
EXCHANGE BA	TF /	ND		

### EXCHANGE RAIL AND COMPETITIVENESS\*

	Sterling Index	Relative unit	Relative export prices	Import price competitive- ness
1983 1984 1985 estimates	(1975=100) 83! 78! 78	(1980 = 100) 85 83 <u>1</u> 86 <u>1</u>	(1980=100) 89 871 90	(1980=100) 94½ 92 91½
• Ratio of costs/	prices in UK	manufacturing to	o those oversess.	

### FORECAST AND OUTTURN

	Forecast	Latest estimate/ forecast	from past
Total output per cent change between 1984 and 1985	31	31	ł
RPI: per cent increase between the fourth quarters of 1984 and 1985	5	5}-	11
Money GDP, per cent change between 1984-85 and 1985-86	81	9}	1}
Current account of the balance of payments in 1985, £bn	3	3	2‡ 5
PSBR financial year 1985-86, £bn	7		
<u> </u>			

### RETAIL PRICES INDEX

		Per ce	nt chang	es on a yea	ır earlier
Fuod	Weights in 1985 19	1984 Q4 31	1985 Q4 3	Forecast 1986 Q4 3	1987 Q2 3½
Nationalised industries* Housing Other	9 14 58	4 10 } 4	51 91 51	4 74 3	3 5 3 <u>1</u>
Total	100	5	5}	31	3}

### TRADE IN GOODS

			_			
•	Per cent changes on a year earlier					
	Export volume	Import volume	Terms of trade*			
1983	2	8	1 (1)			
1984	81	11	$-2\frac{1}{2}(-1\frac{1}{2})$			
1985	21	3	1 (11)			
1986 forecasts	6	5 <u>}</u>	-3 (2)			
* The ratio of UK export to	import prices	(average va	lucs): the figures in			

## MANUFACTURING OUTPUT

**REAL GDP AND** 

re	rer cent changes on year earlier				
	1985	1986	recasts 1987 First half		
GDP (average measure)	3 } 2 }	3 2 <u>1</u>	2½ 2½		
excluding oil output*	2 <u>‡</u> 3	21 3	3 2 <u>1</u>		
Adjustments are approximate.					

### CURRENT ACCOUNT. **BALANCE OF PAYMENTS BASIS**

		£bn	Other		
1983 1984 1985	Oii M: ? ? 8	anufactures - 2 ! - 4 - 3 - 2	goods -51 -71 -7	Invisibles 4 5 <del>j</del> 5	Total* 3 (3) 1 (3½) 3 (4½)
1986 forecasts  Figures in parent and the timing of	heses are I EC rebat	after adjustm tes.	—6} ent for the	8 offects of the	3½(3) coel strike

### **COSTS IN MANUFACTURING**

	Ui	Per cent cl pit labour costs	langes on a y Cost of materials and fue!*	ear earlier Estimated total costs	Output prices*
983	***************************************	. 1	8	3	E1 .
984	,	2∮	81	41	5 <u>1</u>
985	441	4	4	ă.	ei.
986	Forecasts	41	-11	Ö	4
Ριο	ducer prices c	xcluding foo	and tobacco.		<del></del>

## Medium-term aim is for lower inflation and output growth

Strategy provides the framework for economic policy, as it has since 1980. It is intended to bring inflation down further over a period of years, and ultimately to achieve price stability. It is complemented by policies which encourage enterprise, efficiency and flexibility, thus promoting the growth of output and the greation of jobs.

Economic policy is set in a nominal framework in which public expenditure is controlled public expenditure is controlled in cash terms and money GDP growth is gradually reduced by monetary and fiscal policy. As the growth of money GDP declines, inflation is squeezed out, and the division of money GDP growth between output growth and inflation is improved.

is set to fall further. And the cellor announced in October economy is about to embark on its sixth successive year of growth. For the first time since financial year would be limited it has however demonstrated a

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for narrow money should reflect occur, the aim will be to avoid substantial departures in either bearing) assets that are directly direction in the medium term, used for making transactions, should respond unambiguously. This is consistent with both a should respond unambiguously, further reduction in inflation but not be over sensitive, to further reduction in inflation but not be over sensitive, to and continued growth in real interest rate changes, and should have a stable relation-

must be supported by low public sector borrowing in the medium term there is some scope for varying the balance between fiscal and monetary policy especially in the short term. In practice, the Budget provides the main opportunity to review fiscal policy, while short term interest rates can be varied more frequently to keep mone-tary conditions on track.

also sought to control the growth of broad money and liquidity by overfunding—that is, selling more debt than needed to fund the PSBR. This was generally seen as a distor-tion of financial markets, and it was reflected in the rising stock held in the form of term

for narrow money should reflect those (principally non-interest

THE financial statement declines further. The path published yesterday detailed the medium-term financial strategy. It said: The Medium Term Financial tion than was assumed last year.

While firm monetary policies Until recently the authorities

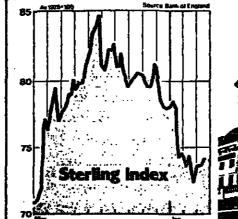
REVENUE AN	D	EXPE	ND	TUF	RE*
		ges from . 85 1985-86			
Expenditure 1 Planning total	+0.8	-2 <sup>1</sup>	<u>-ī</u>	<del>-</del> ;	+ 3 +1
3. General government expenditure Receipts‡	+0.3	<b>-2</b>	-1 -5	+ ;	+1j
4 North Sea taxes	+0.7 ÷0.1	+11	+21 - 1	+3 -1	+4
6. Otheri 7. General government receipts	+0.8	-1	-3	-4	-2
8. Implied cumulative fiscal adjustment? 9. Public corporations' market	_		-31	-41	-3 <u>}</u>
and overseas borrowings  10. PSBR	+0.1 -0.4		+1	<u> </u>	<u> </u>
Chasification changes since the both expenditure and receipts:	1985 F £ bulj	SBR add t	ne iciloi	wing gain	дань ю

The main changes are in respect of the treatment of transactions in certain public sector pansion lunds and of National Savings Bank management expenses. Includes changes in debt interest and other items.

The attention of tax receipts between North Sea and other is affected by the treatment of advance corporation tax set—of.

the effection of tax receipts obtween North Sea and other is anected by the treatment of advance corporation tax set-off. Line 8 = lines 10 - 9 - 3 + 7.

Public corporations' market and overseas borrowing is included in the planning total and in the PSBR, but not in general government expenditure. Changes in it are therefore deducted in line 2 and added back in line 9.





growth. For the first time since the 1960s, steady growth is now being combined with low inflation.

Objectives and the framework of policy

Policy will be directed at maintaining monetary conditions that will bring about a gradual reduction in the growth of money GDF over the medium term broadly in line with the path shown in the accompanying table. While the money GDP figures are not targets, and financial year would be limited to the amount needed to fund the amount needed to fund the path to the path to the path to the amount needed to fund the path to the path to the path to the path to the amount needed to fund the path to the path

choice of narrow aggregate for target purposes. Measures of broad money have persistently grown faster than money GDP over the last six years, in contrast with experience in the 1970s. High real interest rates have increased the relative attractiveness of financial assets; and financial liberalisation and increased competition between six years, in contrast with experience in the 1970s. High output at a sustainable rate.

The growth of money GDP in 1986-87 is expected to be slightly higher than assumed last year. Partly as a consequence of the sharp fall in oil criteria. As in the United prices, output growth is higher and inflation lower. In the later years, money GDP growth ing sight deposits, previously

should have a stable relation-reased the relative attractive-ness of financial assets; and financial liberalisation and increased competition between banks and building societies have led to a rapid build-up of both liquidity and debt.

Yet this has proved consistent with a declination between the prices, output growth of interest parts.

bearing deposits within broad money has meant that the immediate response of broad liquidity aggregates to changes in short-term interest rates is

highly uncertain.

As in the past two years, the
Government is setting targets
for the year ahead, 1986-87,
both for MO as a measure of narrow money, and for EMS as a measure of broad money. The ranges are shown in the accompanying table.

For M0, the target range of 26 per cent is the same as indicated in last year's MTFS. Illustrative ranges are also given for MO in later years, consistent with the declining path of money GDP growth. For EM3, the target range has been raised to 11 per cent to 15 per cent, reflecting the rapid fall in velocity observed in recent years. Illustrative ranges for future years are not given for £M3 because the uncertainties surrounding its velocity trend are at present

out, and the division of money growth between output and inflation is improved.

Over the past six years, money GDP growth has declined from nearly 20 per cent to around 5 per cent. Inflation has come down to around 5 per cent and is set to fall further. And the interest bearing and noninterest bearing accounts.

Mo covers only a narrow range of transactions balances. It has however demonstrated a relatively stable velocity trend over a large transaction over t

must be struck between the exchange rate and domestic monetary growth consistent with the Government's aims for money GDP and inflation. If the underlying growth of unless other indicators sug-gested clearly that monetary

must be struck between the

tory. Experience has shown that a privatisation programme are exchange in short term rates is pected to rise from £2\big| bn in unlikely to alter the growth of 1985-86 to £4\big| bn in 1986-87, as £M3 significantly within the set out in the Autumn State-target period. But such action ment.

financial liberalisation and increased competition between banks and building societies have led to a rapid build-up of both liquidity and debt.

Yet this has proved consistent with a decline in both inflation and money GDP growth. At the same time the high proportion of interest-bearing deposits within broad.

The fiscal projections for the next four years are set out in the accompanying tables. The profile of the PSBR is much as proposed in the Budget are taken into account.

If the underlying growth of the risk for 1806 of 1806 conditions remained satisfac half their level in 1985-86. The proceeds from the Government's privatisation programme are ex-

1985-86 1986-87 1987-88 1988-89 1989-99

### GROWTH OF MONEY SUPPLY AND MONEY GDP

Money GDP*	94 (84)	61 2-6	_6 <del>}</del>	6	51
MO†	31		2-6	1-5	1-5
£M3†	14}	11-15			_
Por cent change on previous output and inflation. The strike, The figure for 199 figures describe the Govern	figure in 8-87 is a fi	parentheses precest: and	is edju	sted for t	ne coel

### **OUTPUT AND** INFLATION ASSUMPTIONS

Perce	ntage 985-86	change o	n previo	us finan 1988-89	ial year 1989-90
Real GDP Non-North Sea Total		3	2½ 2½	21 21	21 21
Inflation	6	23	38	31	3

Continued restraint in public spending plays a vital role in the Government's economic strategy.

The property of the property

As a proportion of GDP, As a proportion of GDP, general government expenditure has already fallen significantly from its peak of over 46 per cent in 1982-83. Given the

assumed growth of output, it is projected to decline further from 44 per cent in 1985-86 to less than 40 per cent in 1989-90. This will enable a continued low level of borrowing to be ing motivation.

profile of the PSBR is much as suggested in last year's MTFS.

As usual, account has been taken of the composition of receipts and expenditure.

The growth in government revenues in cash terms over the growth and inflation that underthe medium term will depend on the growth and inflation that underthe growth of incomes, spending the progress to lower inflation in revenues in cash terms over the growth of incomes, spending the progress to lower inflation in the medium term will depend on the growth of incomes, spending and prices, as well as on policy framework within which the former of CDP the former of the fo

to remain broadly unchanged in from the North Sea are real terms. It is assumed that projected to fall sharply in there is no major change in 1986-87 from the peak levels of either the sterling exchange 1984-85 and 1985-86 mainly rate index or the sterling/ because of the drop in oil prices. But the decline in revenues to year.

The North Sea are projected to fall sharply in the peak levels of either the peak levels of either the peak levels of mainly because of the drop in oil prices. But the decline in revenues from this source is offset by business the peak levels of the projected to fall sharply in the peak levels of either the projected to fall sharply in the peak levels of either the projected to fall sharply in the peak levels of either the sterling exchange in 1986-87 from the peak levels of either the sterling exchange in 1986-87 from the peak levels of either the sterling exchange in 1986-87 from the peak levels of either the sterling exchange in 1986-87 from the peak levels of either the sterling because of the drop in oil prices. buoyant non-North

Public sector berrowing

The cash planning totals set by the Government in the White Paper are designed to hold total spending broadly level in real terms. The projection given in the accompanying table extends to 1989-90, one year longer than the published plans. The assumption for the final year implies that the planning total remains broadly flat in real terms over the whole MTFS period.

As a proportion of GDP, The projections of govern

projecting the yield from a given set of tax rates, recent events in world oil markets make the projection of oil revenues particularly uncertain. On the expenditure side, the planning total for the final year has yet to be agreed. Conclusion

Events both at home and abroad may modify some of the combined with reductions in the assumptions on which the burden of taxation, so improv-projections have been based. But the Government is com-mitted to maintaining the progress to lower inflation in

### **GENERAL GOVERNMENT EXPENDITURE**

						bu, çaslı
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
General government expenditure	150,0	158	163	176	175	180
General government recipts	140.9	150	156	164	174	182
Fiscal adjustment from previous years;	_	_	_	_	2	6
Annual fiscal adjustment;	_	_	_	2	4	3
GGBR	9.1	8	7	8	7	7
Public corporations market and						
overseas borrowing	1.0	-1	_	-1	_	_
PSBR	10.I	7	7	7	7	7
Money GDP at market prices	327	358	382	407	431	455
PSBR as per cent of GDP	3.1	2	11	13	Ĩŧ	Ĩŧ
• • • • • • • • • • • • • • • • • • • •			-•			
<ul> <li>Rounded to the nearest £1bn from 1985-86 onwards.</li> <li>Tables 1.2 and 6.5.</li> </ul>				nd 1986-8	7 are pro	ovided in
† Means lower taxes or higher expenditure then is ass	umed in li	nes 1 and	2.			

### **GENERAL GOVERNMENT EXPENDITURE**

					£	ba. cash
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Public expenditure planning total*  Gross debt interest  Other adjustments†  General government expendituret  of which	129.6 16.1 4.3 150.0	134 18 6 158	139 18 6 163	144 19 7 170	149 19 7 175	153 19 7 180
Privatisation proceeds§  For 1984-85 to 1988-89; the figure are equivalent to the real terms in 1989-89 as in 1988-89.  See peragraph 5.04.  General government expenditure, and its components, in See the Public Expenditure White Paper (Cmnd 9702).  cash terms in 1989-90 as in 1988-89.	te in Tab	is 5.1. ∏	hey pro	Ethn (mm	1985_86	onwarde.

### PUBLIC SECTOR BORROWING\*

	1984-85	1985-86	1986-87	1987-88	1988-89	hn, cash 1989 <del>-9</del> 0
Taxes on incomes, expenditure and capital National insurance and other contributions	105.4 22.9	113	118	124	132	139
Interest and dividends	5.0	2 <u>4</u> 6	26 6	26 6	29 6	31 6
Other receipts	6.4	6	ě	Ğ	7	7
Accruals adjustment	빏	=	_	=	=	<u>-1</u>
of which North Sea taxt	140.9	150	156	16 <u>4</u>	174	182
General government receipts, and its components, are	12.0	11 ±	6 196- 4-	4 100E 01	4	4
† Royalties, petroleum revenue tax (including advance gas production (before advance corporation tax set-off). same financial year in respect of North Sea production. S	paymants) This does	and com	Peration t	eu dram I	James Pas	oil and edt ni s

## Substantial growth likely Continued from Page 20 material and fuel inputs should quarter of 1985, GDP is estifall quite sharply between the two years. The prospects are for little change in manufacturers' total costs and a further. The vice in CDP between the the path of the prospect are for little change of the profit material and fuel inputs should quarter of 1985, GDP is estiof durables. The accompanying have been the highest since expansion of capacity will be changed in a number of industries of manufacturers' total costs and a further. The price in CDP between the durables. The accompanying have been the highest since expansion of capacity will be changed in a number of industries of manufacturers in discrete in UK export markets, an increase of 12,000 in the slowed down over the past year: 1960. For non-North Sea ICCs, the vice in consumer spending. The DTI survey published last in the number of industries of manufacturers in the since then the path of the average increase in unemployment was about 5,000 in the slowed down over the past year: 1960. For non-North Sea ICCs, the average increase in unemployment was about 5,000 in the slowed down over the past year: 1960. For non-North Sea ICCs, the average increase in unemployment was about 5,000 in the slowed down over the past year: 1960. For non-North Sea ICCs, the average increase in unemployment was about 5,000 in the slowed down over the past year: 1960. For non-North Sea ICCs, the average increase in UK export markets. 1960. For non-North Sea ICCs, the average increase in unemployment was about 5,000 in the slowed down over the past year: 1960. For non-North Sea ICCs, the average increase in UK export markets. 1960. For non-North Sea ICCs, the average increase in unemployment was about 5,000 in the slowed down over the past year: 1960. For non-North

monthly growth in retail prices; it will continue to contribute to low increases in prices over the coming months, so that the annual rate of inflation will

In the last quarter of the year RPI inflation may be about 3½ per cent, with little change likely is the first half of 1987.

The flattening out of strike adjusted GDP during the middle of 1985 reflected in part the high level of business The fall in oil prices is expected to work its way fully through to petrol prices in the course of 1986. The forecast increase in the housing company of the PDI (which ponent of the RPI (which covers mortgage payments, rents, rates and other housing costs) includes the effect of a substantial rise in local antiority rates in 1986-87.
The GDP deflator measures

the price of domestic value added principally unit labour costs and profits per unit of output—and excludes imports altogether. The GDP deflator covers all sectors of the economy, including oil output in the North Sea, and so is sensitive to the fail in world oil prices. This contributes to a marked slowdown in the growth of the GDP deflator over the coming year. The deflator flecting the buoyant profitability of the company sector, is expected to lead to substantial per cent more than in 1984-85. In 1986-87, inflation on this measure is expected to fall to about 3‡ per cent.

The many increased by flecting the buoyant profitability of the buoyant profitability of the company sector, is expected to fall personal disposable income of about 5 per cent.

The many increased by flecting the buoyant profitability of the personal sector's financial assets has in recent in the 1984 Budget: this gave firms an incentive to bring investment forward that years more than matched the growth in its liabilities, partly of real personal disposable income of about 5 per cent.

The first file announced in the 1984 Budget: this gave firms an incentive to bring investment forward that years more than matched the growth in its liabilities, partly of the company taxation announced in the 1984 Budget: this gave firms an incentive to bring investment forward that years more than matched the growth in its liabilities, partly of the company sector, is expected to fall personal disposable income of about 5 per labeled to about 3‡ per cent.

accompanying table.

The fall in import prices since the spring of 1985 has contributed to the recent low have picked up again in the estimate of the output measure of GDP showed growth at an annual rate of 2½ per cent between the third and fourth quarters of the year.

> the high level of business investment and North Sea output in the first quarter of the year. Output in most sectors of the economy, including manu-facturing, continued on an upward trend throughout 1985. Between 1980 and 1983 the inflation rate fell by about three-quarters and the personal saving ratio fell by almost a quarter. In 1984, with the uncertainties caused by the long coal strike, consumers were more cautious and saving rose.
> During 1985 spending picked up
> again, particularly spending on
> durables which was some 7-8
> per cent higher in the second
> half of 1985 than in the second

half of 1984.

for little change in manufacturers' total costs and a further
widening of profit margins on
domestic sales, as shown in the
accompanying table.

The fall in import prices
since the spring of 1985 has
contributed to the recent low
monthly growth in retail prices;
it will continue to contribute
it will continue to contribute

Trise in GDP between the
first and third quarters of the
the path of
consumer spending.

Investment in dwellings by
the personal sector fell between
the prices will mean a substantial
1984 and 1985, but a resumption in growth is expected for
in provements started to recover
the prices will mean a substantial
1986, and the overall return
during 1985, and is expected to
show further growth in 1986 as
the prices will mean a substantial
1984 and 1985, but a resumption in growth is expected for
improvements started to recover
the prices will mean a substantial
1986, and the overall return
during 1985, and is expected to
show further growth in 1986 as
the personal sector fell between
the of the increases in mortgage unterest rates early in 1985, house prices remained firm; private housing starts which had fallen during 1984 were rising throughout 1985, and the total for the year was well above the number of completions This trend in starts should show up in investment in new houses

> The demand for housing (as reflected in house prices) and spending on consumer durables have both been resilient in the last year or so, in spite of the high level of real interest rates. high level of real interest rates.
>
> The personal sector has been responding to the financial liberalisation of recent years and the greater availability of credit as well as to changes in interest rates. Borrowing from banks and building societies by the recently increased by the personal sector increased by about 18 per cent in 1985, and by 20 per cent a year on average between 1980 and 1985. This

Demand and activity: Latest estimates suggest that GDP rose by about 33 per cent in 1985, or sumers adjust to higher levels of income, but most of the rise ance for the effect of the in incomes should be reflected and guits.

There may be some increase Company profitability has been rising strongly: one continued the recovery that indication of the past and prospective recovery in profits is the Demand and activity: Litest the saving ratio, as consistent of summers adjust to higher levels ance for the effect of the ance for the effect of the accovery from the coal strike.

Over the year to the first timing strength in purchases

There may be some increase that GDP rose in the saving ratio, as consistent of the company profitability has indication of the past and prospective recovery that button to GDP growth over the button to GDP growth over the since 1983 has not so far presenting strongly: one indication of the past and prospective recovery in profits is the button to GDP growth over the button to GDP growth over the since March 1985 of over the stock market. In addition, there is evidence from CBI surveys than an over the strongly: one indication of the past and prospective recovery in profits is the button to GDP growth over the button to GDP growth

commodity prices during 1985; their profitability is expected to

cent in 1985. Within this total, manufacturing investment increased by about 8 per cent, after taking into account the increase in assets leased by manufacturing commanies.

ment in 1986 of 5 per cent is forecast in the forecast, rather more than suggested by the DTI survey.

The accompanying table provides details of the forecast for total investment and its major. manufacturing companies.

This was a somewhat smaller the end of the first quarter of the year. Leasing business was particularly buoyant in the first quarter and fell back heavily

1986 is likely to see a similar quarterly pattern. The level of The combination of lower borrowing has not only helped quarterly pattern. The level of price inflation and little change to finance current consumption business investment in 1986 as price inflation and little change in earnings growth, together with the Budget reduction in the standard rate of income tax and higher dividend income re-

The DTI survey published last December indicated an increase in manufacturing and service industries' investment of about I per cent, within which total manufacturing investment is expected to fall by about 2 per cent. By contrast the CBI inter-pret their most recent survey as implying a 5 per cent rise in manufacturing investment in

total investment and its major components. North Sea investment is expected to recover increase than intentions surveys this year to a similar level to had earlier suggested was likely. that in 1984, reflecting the The path of investment during development of new fields 1985 was greatly influenced by approved in 1985 and early the reduction in capital allow- 1986. Overall 1986 is expected ances which became effective at to be a year of good growth in to be a year of good growth in

real interest rates and the abolition of stock relief in the

The fall in oil prices has improved the prospects for world trade, and the adjustments of the exchange rate to lower oil prices has made British manufactures more competitive. As in most other industrial coun-tries, higher domestic demand (stimulated by lower inflation) is expected to make an important contribution to growth in their profitability is expected to increase further in 1986 (see accompanying chart).

Total business investment, including North Sea investment and investment by public corporations, grew by about 2 per cent in 1985. Within this total.

> cent in 1986, following 31 per cent growth in 1985. After to the output estimates, output allowance for the coal strike, per head in manufacturing now growth is close to 21 per cent appears to have risen by about 1985 close to 22 per cent appears to have risen by about 1985 close to in both years as shown in the accompanying table. The average level of oil production in 1986 is likely to be close to the period 1979-85. In each in 1986 is likely to be close to the period 1979-85. For these variables. In each in 1986 is likely to be close to the period 1979-85. For these variables. In each its level in 1985 and 1984, but ment on the productivity period the period period the period to have been is considerably forwards. its level in 1985 and 1984, but ment on the productivity per-the fall forecast for oil output formance recorded between smaller than the average error between the first half of 1986 1973 and 1979; the trend growth and the first half of 1987 may in productivity in manufactur-forecast is summarised in an Survey evidence suggests that and the first half of 1987 may in productivity in manufacture despite the relatively low cut total GDP growth by about ing now appears to be close to expenditure on stock building per cent. Output growth in the rate achieved during the No forecast is complete without the non-oil economy in 1986 and 1960s (see the accompanying out an indication of error. expenditure on stock building in 1985, most companies still the non-oil economy in 1986 and regard their current stock levels as more than adequate in relation to output and sales. The fall in stock ratios in recent has grown slightly faster than years may reflect in part cautions behaviour by companies after the last recession. cautious behaviour by companies after the last recession. forecast suggests that growth
> Another factor has been the in manufacturing output may
> high cost of holding stocks as continue at around the underlyhigh cost of holding stocks as continue at around the underlying rate of growth of GDP.
>
> Those items which represent the relatively small balance
> down growth in output per head
> the relatively small balance
> the stocks as continue at around the underlydown growth in output per head
> the relatively small balance Productivity and the labour in non-manufacturing, to about between large flows in either

market: Total employment in 1 per cent a year.

Great Britain is estimated to The incresse in an

largely offset by falls in the production and construction in-dustries. Self employment is assumed to have risen by about 31,000 a quarter since the middle of 1984, the same as the estimated quarterly increase over the previous three years This compares with an in-crease of about 68,000 a quarter

recorded between the middle of 1983 and the middle of 1984. The estimates of growth in em-ployment over the recent past shown in Table 3.11 are subject to revision when the Census of Employment for 1984 and the Labour Force Survey for 1985 become available.

Pay increases have generally been well above pay rises and well above the rise in pay in most other industrialised countries, thus contributing to the rise in unemployment in recent years. With output and employment continuing to grow, and growth in the labour force slowing down, the pros-pects for unemployment are better than they have been for some years. The accompanying table compares the main ele-ments of the forecast published in the 1985 FSBR with outturn or latest estimate.

Inflation in the fourth quarter of 1985 turned out a little higher than forecast a year ago. The forecasts made at the time of the last Budget for output growth and the current balance in 1985, and for the PSBR in 1985-86, are all from past forecasts. This year's forecast is summarised in an

table). Non-manufacturing productivity has also been rising table sets out faster of late than in the 1973 the average errors from past to 1979 period. Growth in out-put per man hour has been casts themselves. These rising at about 2 per cent per average errors provide an annum since 1979. However, indication of possible errors in

per cent a year. direction are particularly sub-The increase in employment ject to error. For example, the

## Completion of business tax reform

issued the following statement ance: During the course of last on capital allowances after the year's Finance Bill debates, the hancellor sat down: Financial Secretary to the The Chancellor proposes in Treasury, the Rt Hon John Chancelior sat down: to capital allowances.

from reviews which have been expenditure on the construc-announced previously and the tion of agricultural buildings third is essentially a series of and works, were to be reviewed technical consequentials following from changes to the capital allowances made in the 1984 April 1 1986. and 1985 Finance Acts.

These measures represent the third and final stage of the of a system of balancing adjustprogramme of business tax reform the Chancellor launched in 1984 based on significant cultural building etc is demol-reductions in the rates of tax on ished, destroyed or sold, company profits and the re-phasing of capital allowances. enable capital allowances to be reductions in the rates of tax on company profits and the re-plasing of capital allowances. system will generally be fully in place.

Agricultural Buildings Allowage: During the course of last

Mines and Oil Wells Capital ances. As such, the proposals land. his Budget a number of changes Moore MP, announced that the rules governing this allowance, Two of these changes flow which is given on capital

this review is the introduction ments to operate, at the option of taxpayers, when an agribrought into line with actual depreciation, should be especially helpful for short-lived

Budget last year the Chancellor announced that the review of these allowances would be conducted against the background of the other changes in capital allowances, and that the proposals for MOWA would be published in a consultative docu-ment in the summer, The consultative document

was published on July 16 1985, An important consequence of and the Chancellor has consist review is the introduction firmed today that the proposed changes to the MOWA code will changes to the MOWA code will be implemented in the 1986 Finance Bill, broadly on the lines of the proposals in the consultative document.

The main effect of the proposals is to simplify the present code and bring the mines and oil wells allowances more closely into line with the

Allowances (MOWA): In his have been generally welcomed. The main propesals are:

The abolition of the present system of allowances (initial allowances and writing down allowances based on output and royalty value of output for-

> ● Their replacement straightforward percentage based annual writing down allowances on a reducing balance basis at a rate of 25 per cent for qualifying expenditure other than that on mineral deposits or rights over them, for which a rate of 10 per cent is proposed.

Relief to start when the expenditure is incurred, provided a mining trade has begun and not, as at present, only when the working of or output from, the source has begun.

Allowances machinery and plant and certain motor vehicles: The special rules in the 1980 and 1982 Finance Acts dealing with the allowances due on capital ex-penditure on leased machinery or plant generally, on machinery or plant leased overseas and on motor vehicles costing £8,000 or less involving separate pooling arrangements, are to be

amended. These are primarily technical measures to ensure that with one exception the arrangements continue to operate where appropriate in broadly the same way from April 1986 as before. The exception is that the separate pooling arrangements for certain assets leased in the United Kingdom will no

## Mines and wells allowances to change

The Chancellor has confirmed another complex area of the today that the proposed tax system. As such, the proposed tax system. As such, the proposed; wells Allowances (MOWA) comed. The main proposals are:

On the acquisition of minerals or rights over them for which a comed. The main proposals are:

On the special transport of the present when the expenditure is interested a mineral country of sillowances. the 1986 Finance Bill, broadly system of allowances (initial curred, provided a mineral exon the lines of the proposals allowances and writing-down in the MOWA Consultative allowances based on output and Document, which was published royalty value of output for-land.

posals is to bring the mines straightforward percentage ings allowance (IBA) for cer- will also apply to any residue of and oil wells allowances more based annual writing-down tain buildings constructed for expenditure incurred before

speech, the Inland Revenue general system of capital allowissued the following statement ances, following the changes

on Mines and Oil Wells Capital

Allowances:

The distribution in the speech allowance basis.

The proposed rate of allowance in the 1984 and 1985 ance is 25 per cent for qualifying expenditure other than that

occupation by, or for the welfare of, employees in the mining industry.

The new MOWA code will also cover expenditure on

veloping a source of geothermal

The proposals will, in general, apply to expenditure incurred after March 31 1986, including the proposed restriction of the secondhand purchaser's costs of royalty value of output formulae).

It is no longer proposed to dor's expenditure where less
Their replacement by withdraw the industrial buildthan his own payment. They
ings allowance (IBA) for cerwill also apply to any residue of

amount of relief has not yet been given under the present

Taxpayers will, however, have taxpayers will, however, have the option for one year to claim the old system initial allowances provided the expenditure is under a contract which they en-tered into before the date of publication of the consultative document namely July 16 1925 document, namely July 16 1985.

Overall the proposals are rather more generous than the present ssytem, and their cost n 1987-88 is estimated to be

## New rules on pension scheme actuarial surpluses

AFTER the Chancellor sat cles. This must always be the In future, when trustees of ing 5 per cent. down the Inland Revenue first consideration.

self - administered pension The options open to the trus- Bill. The detailed rules will be issued the following statement • On the other hand, the rules schemes submit actuarial valuates will include: increases in containing in regulations to be on pension scheme surpluses: his Budget new rules for deal- benefit of generous tax reliefs, (SFO) they will also be reing with actuarial surpluses in funds which are greatly in quired to submit a valuation of butions to the scheme by the occupational pension schemes. excess of the scheme's accured the scheme's assets and liabilities.

The proposed changes are in liabilities.

the scheme's assets and liabilities for up to five years; a refund to the scheme's assets and liabilities.

practice leaves many scheme take early steps to rduce it to the scheme is not excessive).

trustees uncertain about the a reasonable level. This basis, which will incr trustees uncertain about the options open to them in reducing surpluses, particularly if they wish to make a refund to the employer.

This basis, which will incorporate a funding method and trustees to decide how that actuarial assumptions advised they wish to make a refund to the employer.

This basis, which will incorporate a funding method and trustees to decide how that actuarial assumptions advised they wish to make a refund to the employer.

This basis, which will incorporate a funding method and incorporate a fundin

• That some pension schemes may at present be excessively

clear and objective.

accrued pension liabilities — incentive for over funding. than 5 per cent, the trustees refunded and paid to the Retogether with a reasonably adequate margin for contingentake the following form: the proposed new rules will be required to reduce that venue. Enabling legislation will be adequate margin for contingen-

n pension scheme surpluses: should not make it possible for tions to the Inland Revenue's pension benefits (within exist-The Chancellor proposes in trustees to build up, with the Superannuation Funds Office ing limits); a reduction or

benefits or by contreductions or holidays. The Chancellor's proposals not however prevent the refund purposes.

The Chancellor's proposals not however prevent the refund purposes.

The Chancellor's proposals not however prevent the refund purposes.

The purposes.

The prescribed funding given. It will not be possible method will be the "Projected to reduce this liability by any desirable or necessary; for Unit Credit" basis. The set-off whatsoever, eg for losses, cample where a refund may actuarial assumptions will be cample where a refund may actuarial assumptions will be cample where a refund may actuarial assumptions will be cample or necessary. example where a refund may actuarial assumptions will be avert a cash flow crisis for the broadly in line with those used • The rules must enable the employer, and facilitate new trustees of a pension scheme to investment or expansion, with State pension purposes. might otherwise be available, maintain a fund fully sufficient consequent benefit for output to meet, on a properly costed and employment. But the that a pension scheme's assets tax will be deducted at source

response to recent concern on two points:

When it emerges that an tive basis (for an actuarial undue surplus has accumulated, certificate stating that, on this trustees should be required to prescribed basis, any surplus in

contribution poses only. There is no inten-idays. tion of imposing general Inland Revenue rules should actuarial requirements for other

by the Government Actuary for any other such relief which State pension purposes. surplus to a figure not exceed-

complete suspension of contrifor up to five years; a refund to the employer; any combination

No refund will be permitted

which would reduce a surplus to

less than 5 per cent.
Any employer which accepts refund from its pension scheme will be subject to a free-standing charge to corporation tax or income tax (as appropriate) at a special rate of 40 per cent designed broadly to recover the tax relief previously capital allowances, charges, management expenses, ACT or

pension benefits (within exist- laid later in the year and will ing limits); a reduction or come into force on April 6

The new 40 per cent charge will come into effect in respe of refunds made after today unless they are covered by the exception referred to below.

There will be transitional provisions on the following

 No scheme will be required to make a refund calculated on the prescribed basis before cation for a voluntary refund before that date will have to be supported by an actuarial valuation on the new basis. following provisional guide-lines to be issued shortly Applications for refunds already received by the Super-annuation Funds Office in relation to valuations already undertaken will be dealt with under existing practice and

### Accrued Income **Scheme** alterations

THE INLAND Revenue issued the following statement on the accrued income scheme.

The Accrued Income Scheme

came into effect on February 28 1986. It is a completely new way of taxing income on many securities when they are bought and sold.

The Chancellor proposes in his Budget that securities covered by the Accrued Income Scheme (AIS) should be taken out of the scope of the antibondwashing legislation which preceded the new scheme. That legislation will, however, continue to apply to equities and preference shares (which are not within the AIS).

The new proposals are:
To restrict Sections 471-475 Income and Corporation Taxes Act 1970 to securities not within the AIS. This change will take effect from March 18

● That Section 469 Income and Corporation Taxes Act 1970 (sale and repurchase transactions) will be treated as never having applied to Eurobonds or overseas Government securities denominated in foreign currency provided that both parties to the transaction are dealers in securities (as announced by the Economic Secretary on December 13 1985 -see Press Release dated December 13 1985); and ● That Section 469 will be further cut back as from a future date so that it too applies only to securities not within the AIS.

The Finance Bill will also make some technical amendments to the Accrued Income

### Queen to get £160,600 rise from Civil List

THE QUEEN is to get £160,600 increase in the Civil List, the annual government payment to cover the Royal family's expenses.

The overall rise for the 11 royal households will be 4 per The Queen will receive £4.14m over the next financial

year, but about 75 per cent of the Civil List allowances go on staff salaries and household The total Civil List will increase to £5.39m compared

with £5.18m last year. The Queen will repay to the to meet, on a properly costed and employment. But the that a pension scheme's assets tax will be deducted at source any refund permitted will not Treasury from her private and prudent basis, the scheme's regime should not provide a tax exceed its liabilities by more by the trustees from the amount be subject to the tax charge. funds £355,600 to cover the accrued pension liabilities — incentive for over funding. than 5 per cent, the trustees refunded and paid to the Re- It is not intended that these expenses of the Duke of proposals should apply to Gloucester, the Duke of Kent public service schemes. and Princess Alexandra.

## Revision of tax rules for Stock **Exchange**

the Inland Revenue this statement on changes in the securities markets—tax changes affecting members of the Stock Exchange and other recognised invest-

ment exchanges: In his Budget the Chancellor proposes to revise the special tax rules which apply to Stock Exchange members. The purpose of the changes is to ensure. that the special tax arrange-ments which are necessary for the effective operation of the financial markets will continue to apply to the Stock Exchange after the October 1986 Stock Exchange reforms. In addition, there will be provision for similar treatment to be given to members of other Recognised Investment Exchanges which are established in 1987 after the

passage of the Financial Ser-

apply to:

Exchange market-makers on Exemption from the anti-the same basis as jobbers.

avoidance (bondwashing) pro
Other Changes. The rules for avoidance (bondwashing) pro-visions of Section 472 ICTA

 Exemption from the rules tions 105 and 234 Capital Trans- a separate press release.

Market-Makers Recognised Investment Exchanges (RIEs). There will be provision for these special rules to apply to recognised marketmakers who are members of other RIEs when the regulatory framework for these has been established, after the passage of the Financial Services Bill.

Members of Stock Exchange and other RIEs who are not Market-Makers. There will also be provision for the special rules on manufactured dividends (Section 477 ICTA) and the CTT business reliefs to be applied, where appropriate, to members of the Stock Exchange and other RIEs who are not

recognised market-makers.
Stock Lending and Borrowing. There will be provision
for the Extra Statutory Concession, which gives exemption from income tax and capital vices Bill.

Stock Exchange Market gains tax charges on stock lendmakers. The existing statutory ing and borrowing, to be put on rules for jobbers will apply to a statutory basis. In the meanrecognised market-makers after time, the Extra Statutory Conthe Corpher 1995 Stock cassion will continue to apply gains tax charges on stock lendthe October 1986 Stock cession will continue to apply, Exchange reforms. This will and will be available to Continue to:

charging tax on manufactured dividends (Section 477 ICTA) will be revised to guard against relating to manufactured dividends (Section 477 ICTA 1970);

Capital Transfer Tax—availability of business relief and interest-free instalments (Section 477 ICTA 1970);

Stamp Duty changes in relation to changes in the securities markets are dealt with in

## Provisions changed in . transfers of trade

THE INLAND REVENUE future profits of the same

available when a trade is trans-ferred from one company to another in common ownership. From tomorrow the successor company will not have the benefit of all the predecessor's unused tax losses if that company is insolvent at the time of the

Other
Total receipts

butions

Current expenditure on goods and services Current grants and subsidies

Interest
Net lending and capital expenditure,

excluding on-lending to local authorities and public corporations

transfer.

Receipts

Total expenditure .....

issued the following statement trade. If however, the company on company reconstructions— transferring the trade is insolvent; then those losses may to restriction of relief.

The Chancellor proposes to some extent represent debts restrict the tax losses which are which will never be paid and so will in effect be borne not by the company but by its creditors (who may themselves be en-titled to tax relief for their bad

debts).

The Chancellor's proposal will reduce the successor company's entitlement to the tax losses to the extent that it does not take When a trade is transferred over the previous company's from one company to another liabilities and the old company in common ownership then does not have enough assets to there is a provision (Section pay them in full.

252 of the Taxes Act 1970) It is expected that the rewhich enables the tax losses of venue saved by this provision that trade to be transferred with

that trade to be transferred with will build up over the next few it and to be set off against years to some £50m annually.

Latest

99.4

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1985-86 1986-87

10.2 138.4 49.1 74.3 17.0

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100

### **CENTRAL GOVERNMENT TRANSACTIONS**

## One aim on charities is to encourage more giving The Inland Revenue issued this of payment, in the same way as employees will be free to decide are to go. device—which includes the so-under deduction of tax if they statement on charities after the they deduct tax from a coven-whether they wish to participate they deduct tax from a coven-whether they deduct ta

relief for covenanted donations charitable giving through deeds lines: by individuals; introducing a of covenent for which an indivi- An employer, having decided new scheme for relief for dona-tions under "payroll giving" rate relief. In consequence, the with an approved agency charity

• Ensuring that the money is New reliefs

actually spent for genuinely paid by close companies will not to take advantage of the relief charitable purposes.

The Inland Revenue issued this statement on charities after the chancellor sat down:

The Chancellor proposes in his Budget measures which have the twin objectives of:

Providing further support and encouragement for charitable giving: by introducing relief for single donations by companies (other than close companies); abolishing the £10,000 limit on higher rate relief in the same way as they deduct tax from a covenanted donation of payment, in the same way as they deduct tax from a covenant way as they deduct tax from a covenant whether they wish to participate whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant whether they wish to participate they deduct tax from a covenant while they will be free to decide whether they wish to participate they deduct tax from a covenant to £100 a year. Before the tax relief on to £100 a year. Before the tax relief on to £100 a year. Before the ta

the value of charitable covenants

to operate a scheme.

Those employees who wish in practice affect cases where authorise the employer to de-the money is applied for charit-duct their donations from their

1987-88 will be reduced by about

There will be no change in the existing arrangements for relief for four-year charitable covenants, which will remain available for all companies and individals, under the normal

Three new types of tax relief able purposes consistently with are proposed:

Donations by companies: Companies (other than close companies) will from April 1 1986

The money is applied for charitable increasingly clear that the under a "net pay" arrangement, similar to the arrangement are similar to the arran panies) (will from April 1 1986 There will be a new scheme ments for tension will from April 1 1986 to encourage annuation contributions; ie the can involve sums of several claim tax relief for one-off gifts individuals to make donations are deducted from million pounds each. The Government think that this abuse, and the charles the country of the c claim tax rener for one-on girls individuals to make domains are deducted. From inition posings each. The Government to charity through deductions by before PAYE is applied.

The employer pays the if left unchecked, could relief for gifts by way of a four. The scheme will be operated donations over to the charity prejudice the selfless and year covenant. In order for them by employers, through charity agency which acts as a "clear-dedicated work of the vast to qualify for relief, they should agencies. It will be entirely ing house" and distributes the majority of genuine charities

rich company of its accumulated profits without incurring a tax liability. The benefits accrue mainly to the company shareholders and the scheme issa and Sundays saint luasand operators, though the charity majority of charities which are will commonly retain a small either:

"commission."

"Public "—that is, at least 75

In other cases the benefit of charitable "gifts" will, after collecting tax relief, be channelled back to the "donor," through a more or less long at least 75 per cent of their chain of intermediary charities receipts on charitable activities and/or companies (which may frequently be non-resident). Or the bulk of the money will simply be left accumulating and not spent on any charitable purpose.

Some of these devices rely, to a large extent, on otherwise taxable profits being stripped out of a company—and sometimes out of the courts' jurisdiction—before any legal challenge can be mounted. To prevent this, the Chancellor proposes that payments made after today under a charitable deed of covenant should in all cases "private indirect charities"; (including payments within a Administrative expens deduct income tax at the basic open to employers whether or money to the individual and their supporters. (including payments within a rate from the gifts at the time not to launch schemes, and charities to which the donations Forms of abuse: One form of group of companies) be made

prompt repayment of the tax to charities, and these will continue Beyond that, the Government

sees no need to change the

per cent funded by public dona-tions and/or public sector

grants; or • Direct "-that is, spending of their own, as distinct from grants to other charities.

There will, however, be new rules for a class of "private indirect charities" — which do not meet the conditions either at (a) or 'at (b) above. These charities will continue to enjoy tax reliefs to the extent that their income and gains are actually spent on charitable purposes, that is:

Charitable activities of their

Grants to other UK charities

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## Annuities, interest and other yearly payments to be tax deductible

AFTER the Chancellor sat from annuities, interest, etc: one month from the date of the local authorities): It will be the down the Inland Revenue issued The Chancellor of the Ex- passing of the appropriate Reso- payer's responsibility to repay the following statement on the chequer announced in his lution, subject to adjustments

The reduction will take effect from April 6 1986. The followfrom April 6 1986. The follow- few days and if passed will ing notes give guidance about: have statutory effect under the • Deduction of income tax from annuities, interest and Act 1968. other annual payments.

covenant. Advance corporation tax and tax credit on dividends.

Composite rate: These notes do not apply to interest paid ties and other deposit-takers within the Composite Rate of bodies corporate in the Scheme. The composite rate UK, including local authorities,

of Commons within the next Provisional Collection of Taxes

Where there is a right or an effect on deeds of obligation to deduct tax at the of Taxes, on application by the basic rate from the payment of recipient will either repay the annuities or other annual payments (including alimony), appropriate allowance against ■ The construction industry tax deduction scheme.

■ The additional rate on trusts.

interest, royalties etc, the rate at which tax deductions should be made after April 5 1986 will be the new rate. This will also apply to the new provisions to individuals by building for one-off gifts to charities by societies, banks, local authori- non-close companies. But. in non-close companies. But, in have suffered deductions of the the case of interest on securities

adjusted as follows:

Interest on United Kingdom
Government Securities and
foreign dividends paid in the
United Kingdom: HM Inspector
of Trues of application by the excess tax deducted or make an payment. some subsequent tax assessment. Applicants for repayment will need to furnish evidence (normally counterfoils obtainable

from the paying agents or bankers) showing that they amounts claimed. Annuities, annual payments (including alimony), royalties has been fixed at 25.25 per cent deductions at the old rate of 30 etc and other types of yearly for 1986-87.

Deduction of Income Tax legal deductions for a period of received from companies or

or make good to the recipient reduction in basic rate of income tax:

The Chancellor proposes in his Budget to reduce the basic rate of income tax for 1986-87 cent. A resolution to this effect from 30 per cent to 29 per cent.

The reduction in basic rate of income tax to be imposed for the year commencing where payments have been made on or after April 6 1986 of 30 per cent. This will reducted at the rate of 30 per cent usually be done at the time of the receiptent deduction of tax made by reference to the earlier rate from which tax has been usually be done at the time of the receiptent deduction of tax made by reference to the earlier rate of 30 per cent. This will be placed before the House of deducted at the rate of 30 per cent to 29 per cent. cent the over-deduction will be nature. Where a company or local authority security has been sold since an over-deduction of tax at 30 per cent the person entitled to the security

> to the benefit of the adjusting. broadly to the effect of the change of the basic rate for 1986-87 on the deduction of tax provisions. The Inland Revenue will shortly be issuing a Circusetting out in more detail for payers and recipients the full implications in relation to each

at the time the over-deduction is made good will be entitled

source. Copies of this Circular will be obtainable from the Office of any Inspector of Taxes. Effect on Deeds of Covenant: The reduction in basic rate will alter the amount of tax to be deducted at source from payments due, from April 6 1986 onwards, under deeds of covenant. The precise result will depend on whether the covenant is expressed in "gross" or "net" terms.

covenantor undertakes to pay (for example) £100 a year less tax. At present, with a 30 per cent basic rate of tax, he deducts This notice refers only very £30 tax and pays the recipient £70. The recipient may be able to reclaim all or part of the £30 tax from the Inland Revenue, depending on his or her per-sonal circumstances.

lar (Deduction of Income Tax The reduction of basic rate At present the £70 net repre-from Interest etc—1938-87) for 1936-87 means that the payer sents £100 gross less £30 tax. should deduct tax at 29 per cent. The reduction in basic rate instead of 30 per cent from paymeans that, for payments due ments due on or after April 6 on or after April 6 1986, the of the different types of pay1986. Thus in the example £70 net will represent £98,59
ment which are subject to the above, the payer should deduct gross less £28.59 tax (ie tax
deduction of income tax at £29 tax and pay the recipient at 29 per cent on £98.59).

legally binding deed, he will have a legal obligation to increase the net payment to £71. If his payments are made by standing order, he will need to change his standing order

If the covenant is in favour vill depend on whether the of a charity, the payer may be entitled to relief at the higher rates of tax for the Under a gross covenant, the gross amount (in the example,

Under a the amount to be paid is fixed in net-of-tax terms. For example, the convenantor undertakes to pay each year such sum as will leave £70 after deducting tax at the basic rate for the year.

## Business expansion scheme made more effective

AFTER the Chancellor sat down the Inland Revenue issued a statement of the Business Expansion Schemer.

A number of detailed changes run if the BES relief has been not be available in respect of instrument, withdrawn from the share wholesale trades which do not be available in respect of instrument. Land and buildings sell their goods to retailers. The latest figures for BES in the particular in 1984-85 show that The latest figures for BES in holders. vestment in 1984-85 show that BES and risk

pansion Scheme:

The Chancellor proposes in his Budget to extend the life of the BES indefinitely (it was due to expire in 1987). There will be some changes to make it more effective.

New BES shares will be exempt from CGT.

The coverage of BES is being changed to exclude companies engaged in holding goods of a kind which rae collected as investments (eg into wines and antiques).

Ship chartering of UK registered ships will in future be allowed.

Companies with high asset Capital gains tax treetments

The Government's intention issued from today. has siways been that the scheme should encourage investment in unquoted companies carrying out more risky activities. The Peats report has cast doubt on the extent to which the scheme is now fully meeting this purpose and the Chancellor intends to take furchancellor intends to take fur-ther steps to ensure that the scheme is more closely targeted.

BES relief will not be avail-able for wholesalers or retailers trading in goods of a kind which are collected or held as invest-

if are being made.

Companies with high asset
Capital gains tax treatments

Capital gains tax treatments

Examples of the trades which

may be excluded by these
for BES except for the first

Capital gains tax treatments

Examples of the trades which

may be excluded by these
for BES except for the first

Capital gains tax treatments

Examples of the trades which

may be excluded by these
for BES except for the first

Capital gains tax treatments

Examples of the trades which

may be excluded by these
for BES except for the first

Capital gains tax treatments

Examples of the trades which

may be excluded by these
thanges if the company does not

actively try to sell thum.

Examples of the trades which

may be excluded by these
thanges if the company does not
be carried on wholly on mainly
by a company after today in
the UK.

The Finance Bill will include
any 12 months.

The excitne excitations of the group or
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farming and property development,

form CGT on their first distrequirement that a trade must
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The Finance Bill will include
any 12 months.

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to the trade of the trade of the UK.

The finance Bill will include
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The excitne capital roled of the UK.

The excitn

At the same jime, companies involved in ship chartering will come within the scheme. For shares issued after today, ship shares issued after today, ship of the relevant period tie, three before the end of the relevant period tie, three years after the end of the trade provided that the company's ships are all UK registered and are owned, navigated and managed by it. Furthermore, the charters must not be for a period exceeding one year. In due course, the Inland Revenue will issue a statement of practice about the application to ship chartering of the BES requirement that a trade must be carried on wholly or mainly

Land and buildings

The scheme is not intended for religions with a very secure asset backers. Accordingly, shares issued from will be a number of inely, shares issued from index today.

There will also be a series of other detailed changes.

Restrictions where an individual has a controlling interest and the quality for more traking effect from smaller trade are to be simplified any time before the end of the relevant operand the three will be a number of individual has a controlling interest an both a BES company and a similar trade are to be simplified to relevant operand the three will also be a series of other detailed changes.

Restrictions where an individual has a controlling interest an both a BES company and a similar trade are to be simplified of the relevant operand to which parent comvalue of the company's assert aftr deducting its habitaties. This restriction on the carebility of shorts for DES reflect will not apply to the nest £50,000 of share capital russ d

chances (taking effect from samilar trade are to be simple to be simple extent to which parent companies of a group will be charled under the Scheme.

Loans made by a BES company and repaid before the BES 6 The company will be uple to nave tiers of subsidiaries. O The subsidiaries will have to be at least 90 per cent owned. • The subsultaries may be rest-

the UK
O it will be possible to discove
of a subsidiary; or have a dor-

Loans made by a BES com-pany and repaid before the BES share issue will no longer remove confidement to relief (for shares issued from today).

There will be changes in the Call options dent or incorporated oversus treatment of rights issues for provided that the trading activities do not whole are carried on wholly or mainly in Payments received for the contion to buy the shares. In

red acquisition of an option to call option of this nature pro-sell BES shares will cause the vided the shareholder would loss of BES refiel. (These receive the full market volu-changes apply to options of the shares at the time the granted or obtained from option is exercised.

Crown employees serving overseas (whose salary is taxed in the UK) will be eligible for BES relief (from April 6 1386). Joint subscription by (w) individuals will be eligible for relief (for shares issued from

Companies will be given the right of appeal against a refusal by the Revenue to approve them under the scheme.

grant of an option to buy BES, the view of the Inland Revenue snares will cause the loss of the relief will not be withdrawn oppropriate emount of relief, because of the presence of a The acquisition of an option to call option of this nature pro-

### Peat Marwick report

## Small companies brought into investment net

TWO-THIRDS of the companies funded under the Business Expansion Scheme could not have raised equity from any other source, says the Peat Marwick report.

This was partly because "the scheme has lowered the margin at which companies are considered of acceptable quality to merit outside investments," says

Moreover, the scheme has contributed to a reduction in the cost of capital for some

More than a third of the 120 BES is not a significant source prospects, suggesting that the Eighty per cent of the 46 young companies surveyed by Peat of seedcorn capital, as some of balance of risk and reward ventures surveyed claimed they Marwick raised under £50,000 its supporters had hoped it offered by the BES is not out could not have raised equity

THE Business Expansion Scheme has been dramatically successful in stimulating small company activity but it needed to overcome serious problems, according to a 262-page report on the scheme published vesterday. The study,

scheme's first year. It warns that since then the trend "appears to have been towards larger and perhaps less risky investments . . . As these less risky investment opportunities become more evident there may be pressure on all by Peat Marwick, the accountancy firm.

BES investment media to provide similar and commissioned by the Inland tax-driven opportunities, perhaps to the Revenue, concentrates on 1983-84, the detriment of the spirit of the scheme." BES investment media to provide similar tax-driven opportunities, perhaps to the

the cost of capital for some kinds of venture (particularly good quality medium-sized businesses with asset backing) and to an improvement in small businessmen's awareness of the value of equity financing.

All this, says the report, has helped the BES to make an impact on the so-called equity gap, the level below which financial institutions find it uneconomic to handle investments, usually set at about 160,000.

In 1983-84, even through the companies to have raised less than £50,000 were planning new ventures.

The risks involved in unsubjective rating, Peat Marwick under investment are undergulated investment are undergulat

in 1983-84, even though the would be. Only three of the 43 of line with that of the rest

anywhere else, compired with significant disadvantages for only four of the mine manager ment buy-outs in the sindy. Amone the most frequently

cited advantages of resine LLS finance was the casence of annual interest and capital re-payments, a "breating space" from pressure from out-ide investors thanks to the fact that BES investors cannot sell for five years on pain of loang tax-"It was considered that, principally because of the tax relief, investors were less likely to drive a hard burgain in

terms of the percentage of equity required for a given amount of mance," says the report. Some companies also full they could get a better deal from funds by waiting until the end of the year because funds cannot offer full tax relief for the year unless they are fully invested. Two thirds of the 1983-84 investment received by the sample came in the final quarter of the tax period. But the survey also confirms

companies raising EES finance. Halising a second round of fund-ing under the scheme can create complications, for in-stance. This lengthers the stance. This lengthers the aveyear period before which first round investors are permanted to sell. Non-BES backers, meanwhile, were said. to be unwilling to provide each because they would have to observe rules forbidding mergers, floations or the estan-hishment of oversets sub-sidiories unless original in-tesiors could be persuaded to

abandon tax relief. Peat Marwick also mentions two cases among its sample of companies forced into liquidation because BES rules prevented them forming joint ven-tures, a move that would have led to loss of tax relief for in-

The Peat Marwick Report on the Business Expansion Scheme, from Reference Room, New Wing, Somerset House, London WC23 1LB, 222.59.

Scheme takes on unexpected role as 'a prolific creator of jobs'

created, after investment, while ventures looking for more than flm (which includes most of the heavily asset-backed proposals) produced jobs for \$21,000. There is no great difference in job creation costs between sectors, except in property. The three extra jobs created by the survey cost the Inland Revenue \$2344,000 each a year.

Once attracted to the BES, a majority of investors stay because prospectus is sues were becoming more widely available, so making it easier for people for more in 1984-85 after investing in the scheme's first year.

They are almost equally split in their preferences for investing in the in their preferences for investing the public or stage private share the public or stage private share. ernment £2,000 a year per job

## Tax relief is the chief attraction for financial backers

Nearly three-quarters of the 279 respondents to a question-naire from Peat Marwick said tax relief was their main reason for investing, while just over a tenth cited the potential for countyl approaching. espital appreciation.

Even if investors' motivation

they invested in the BES in 1983-84 would not have gone into those companies were it not for the scheme, says Peat Marwick. In the absence of the BES, 93 per cent would not have been invested in unquoted companies and 73 per cent

would not have gone into equities in general.

If the survey results are extrapolated to all BES investment in that year—£105m into 715 companies—the implication

TAX RELIEF is the Business placings; through funds which Expansion. Scheme's cateful offer a spread of companies; or attraction for investors, with the prospect of making a big capital gain a low priority for most.

1000-94, 100 per cent sauck with funds which where and 20 per cent sauck with funds which are special of companies; or attraction for investors, with the prospect of making a big companies; or through a mixture of the two.

into the scheme that year. But overal, nearly half of direct appears to have little to do with investors put in less than £3,000 risk, 94 per cent of the cash cach.

Scheme investors emerge from the study as rich-threequarters of them were upper-rate taxpayers—well versed in inivesting in listed Stock Exchange companies but un-familiar with venture capital, For most, BES investments represented less than 5 per cent

of their total financial assets.

When they did take investment rather than tax criteria into consideration, the level of asset-backing available came top is that £99m of it is genuinely asset-backing available came top new investment for those year new investment for those ventures. "The BES has had a significant catalytic role in stimulating investors' interest in investment in the unquoted company sector." says the report, which adds that only 21 per cent of those interviewed had previously put money into private businesses.

Once attracted to the BES, a majority of investors stay backing as the prime measure of risk, with products and company track record coming joint second with 24 per cent each. Investors showed a stronger commitment to direct investments rather than funds in the scheme's second year, says Peat a majority of investors stay backing as the prime measure of risk, with products and company track record coming joint second with 24 per cent each. Investors showed a stronger commitment to direct investments rather than funds in the scheme's second year, says Peat a majority of investors showed that as per cent mentioned asset to risk, with products and company track record coming joint second with 24 per cent each. Investors showed a stronger commitment to direct investments rather than funds in the scheme's second with 24 per cent each. Investors showed a stronger commitment to direct investments rather than funds in the scheme's second with 24 per cent each. Investors showed a stronger commitment to direct investments rather than funds in the scheme's second with 24 per cent each. Investors showed a stronger commitment to direct investments rather than funds in the scheme in the list. Detailed interviews with 76 investors showed that 38 per cent mentioned asset that the product and company track record coming joint second with 24 per cent each. Investors showed a stronger commitment to direct investors and company track record coming joint second with 24 per cent each. Investors showed a stronger commitment to direct investors and company track record coming joint second with 24 per cent each that a second with 24 per cent each that

## EVEN THOUGH the Business raised (that assumes their Expansion Scheme was not investors had an average marphopyment ginal tax rate of 50 per cent). The same arithmetic applied to most of the 715 companies of extra turnover and 870 extra turnover and 870 extra turnover and 870 additional jobs, a year after raising BES finance in 1983-84. The report does not of extra turnover and 870 additional jobs, a year after and £13,000 a head 2 year later. ui companies," says the report. In 70 per cent of cases, BES raised. Companies looking for less than £50,000 cost the Government.

raising BES finance in 1983-84. and £13,000 a head a year later. they were thrown out of this is projected to rise to That compares with the £40,000 scheme in the 1985 Budget.

from the same time.

Cancellation of Registration:

Cancellation of Registration:
The limit will be increased from f18,500 per annum (inclusive of VAT) from June 1 1986 for persons considering cancellation of their registration on the basis of their expected future turnover.

Persons will also be able to apply for cancellation of their registration after June 1 1986 if they have been registered for two years and their turnover (inclusive of VAT) in each of those years has not exceeded

those years has not exceeded £30,500 and provided they do not expect their turnover to

registration as a consequence

of these changes.

The changes will have a negligible effect on VAT revenue.

Public Notice: Details of the physics in the registration and

changes in the registration and

cancellation limits are contained in Customs and Excise Notice BN 1/86 copies of which will be available at all local VAT

Reliefs for handleapped people and charities: From April 1 1986 VAT zero-rating

will extend to:

• Any sound recording equipment used by charities caring for the blind and to cassette recorders for free loan by such charities to the blind.

• Vertical lifts and distress countries to a such charities to the blind.

starm systems supplied to 2 handicapped person for use in his home or to a charity caring

paper, periodical or magazine for educational or fund-raising

Video and refrigeration

equipment supplied to an eligible body, for use in medical

treatment, diagnosis or research.

Medicinal products supplied to a charity engaged in the

exceed £20,500 in the year It is estimated that 17,000 persons will be eligible to request cancellation of their

VAT registration limit up £1,000

The order also gives legislative effect to two existing extrastrutory concessions. One concession extended the zero-rate for building alterations within the private residence of a handicapped person to cover the provision, adaptation or extension of any bathroom, washroom or lavatory which is necessary by reason of his condition. The other extended the zero-rate for his expected the zero-rate for building services. The first three affect supplies by hotels and similar the ner-its of a handicapped person to cover the adaptate UK-based tour operators. The

Disaggregation: The Government proposes to legislate this year to combat avoidance of VAT through disaggregation—the artificial splitting of a single business to avoid registration

Output

Disaggregation: The Government bedroom accommodation will be taxable; other lettings of accommodation in hotels or similar establishments will become business to avoid registration

Certain service flats which are used by visitors or travellers

law to permit the transfer to a person, other than the original importer, of relief at importation and for certain final importations and for a range of temporary importations. Relief is at present available under the Value-Added Tax (Imported Goods) Relief Order 1984 (SI Budget statement that from

A special scheme is to be introduced from April 1 1988

under which the gross profit

margins earned by tour operators on their sales of package

to suit the necks of a namical-ped person to cover the adupta-tion of goods pript to their initial supply to a handicapped person or to a charity.

purposes. Any taxpayer who re-ceives such a direction but be-lieves that the Customs and Excise have issued it unreason-

ably will have the right of appeal to an independent VAT tribunal. Full details will be set out in the Finance Rill which will be published next month.

It is estimated that the change will have no significant revenue effect in 1986-87 but will in-

crease revenue by about £20m in

tors on their sales of package for the handicapped.

Non-classified advertising placed by a charity in a newsplaced by a charity in a newsplaced a change in the VAT within the scope of VAT.

companies studied which would

compensive markets, "Their

raising BES finance in 1983-84.
This is projected to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to about £38m of sales and 1,000 are good to rise to rise to about £38m of sales and 1,000 are good to rise and 1,000 are

**Employment** 

to get more funds

AFTER the Chancellor's speech Customs and Excise issued the following statement:

In his Budget statement the Chancellor announced changes in the limits for VAT registration and cancellation of registration. Details are as follows:

Registration: The registration first was increased from fight. A single quarterly registration limit of £7,000 applies from the same time.

The order also gives legislations to allow regulation to the same time.

The order also gives legislations to allow regulations to allow regulations to allow for the original importer. A new order will be made which will permit to the VAT law to allow regulation document VAT Treatment of £7,000 applies from the same time. Mr Lawson announced that the Government would spend an additional £195m on enterprise ment of Motoring Expenses issued by Customs and Excise in October 1985. The estimated revenue yield will be \$40m in 1987-88.

A New Workers Scheme to help young people during their first year into jobs by providing a subsidy of £15 per week to

pancy after a period of 28 days will be restricted to cases where the occupation is by the same individual throughout.

Subject to parliamentary approval these changes will come into effect on November 1 1986.

### schemes BIOTECHNOLOGY

and employment measures in 1986-87 and an additional £290m in 1987-88. The net costs after allowing for social security savings will be financed from the Reserve so that there will enditions which must be satisfied for the zero-rating of certain exports.

Hotel accommodation and holiday services: Treasury Ministers are to propose a number of changes in the application of VAT to hotel etc accommodation and holiday services. The first three affect supplies by hotels and similar establishments in the UK while the foarth relates to supplies by UK-based tour operators. The thanges are:

In the main only lettings of bedroom accommodation will be taxable; other lettings of examilar establishments will become exempt.

Certain service flats which are used by visitors or travellers as alternatives to hotels or holinesses and is currently running at about 65,000 entrants a year.

• A new and upgraded Small Firms Loan Guarantee Scheme lasting for three years with the premium halved from 5 to 21 per cent

business to avoid registration and tax.

The proposed measure will enable Customs and Excise to seek a power to direct in certain circumstances that where two or more persons are purporting to trade separately, but in reality are part of a single business, they shall be treated as a single business for VAT registration purposes. Any taxpayer who receives such a direction but believes that the Customs and excise to seek and accommodation will become that the business mileage is where the business mileage of a covered by the scheme accommodation in botels and similar establishments is monthly period or 1,500 in a three two hores to hotels or boli-day accommodation will be for occurrence of the long-term that the business mileage of a car covered by the scheme exceeds 4,500 in a three who has been out of work for monthly period or 1,500 in a monthly period, the scale charge in respect of that the business to improve their job finding techniques; £20 weekly will be restricted to cases where

Publication date: May 2 1986

Advertisement copy date: April 14 1986

The Financial Times proposes to publish this survey on the above date. The provisional editorial synopsis is set out below:

1 INTRODUCTION 2 COMMERCIAL PRODUCTS

3 THE COMPANIES

4 THE FINANCE 5 TECHNOLOGY TRANSFER

6 THE NEXT PHASE

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FINANCIAL TIMES

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### NEW TRENDS IN TRADE FINANCE Trade Finance techniques are responding to rising demand for trade credit with more flexibly

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**Jett** 

1.22 July 18

### Tax-free investment plan for savings

WHEN THE Chancellor com-pleted his speech the Inland kevenue issued the following statement on the personal equity plan.

The Chancellor proposes in his Budget an important new tax incentive to encourage savings through the purchase of shares. It will allow everyone aged 18 and over to invest up to £2,400 a year in a Personal Equity Plan (PEP). Provided shares are held for a minimum period of between 12 months and two years, any capital gains and reinvested dividends will be entirely free of tax. This will continue to apply for as long as the investor retains his PEP investment. The scheme will commence on January 1 1987. How a Personal Equity Plan will

The Chancellor proposes that the scheme will work broadly

as follows:

An individual (who must be resident and ordinarily resident in the UK for tax purposes) will be able to invest up to £2,400 a year in a PEP. He will pay the money to an

authorised PEP manager.

The funds in the PEP will have to be invested in equities. Apart from a de minimis ceiling, interest-bearing assets will not be

 On the instructions or authority of the investor. instructions or the manager will buy and sell shares on his behalf. Shares must be ordinary shares quoted in a UK stock exchange or dealt in on the Unlisted Securities Market. The manager will conduct the investment and have physical custody of the shares. But the investor will always have beneficial ownership of the shares and will hold all the voting and other rights of share owner-

• The proceeds from selling the shares, and dividend income received, may be retained within the PEP and used to buy further shares, over and above the £2,400 annual limit.

• Provided that the investment is maintained for a minimum period-which will vary between 12 months and 34 months depending on when in the year the PEP is opened—there will be no tax to pay, either on the capital gains or on reinvested dividend income. The invest-ment can be retained within the PEP for as long as is desired, accumulating free of tax year by year.

• If the investor wishes to with-

minimum period has elapsed. he may do so. But he will lose the tax reliefs, so that any capital gain and dividend income will Examples

The longer the investment AFTER THE Chancellor sat continues, the more the tax down the Inland Revenue issued reliefs mount up. For example a statement on share interests expressing figures in real acquired by directors and terms.

An individual saves £2,400 proposes in his Budget to close

each year for 10 years, which he invests in a PEP. His portfolio provides him, on average, with an assumed real annual capital gain of 1.5 per cent and a dividend income of 5.5 per cent. He reinvests all his capital gains and dividends and pays no tax. At the end of 10 years, his investment could have built up to over £35,000, all of which could be taken out without tax. Or, of course, it could be left to continue to grow.

An individual saves £50 a

month (£600 a year) for 20 years, with a similar rate of return and tax-free build up. After 20 years, his investment could amount to over £25.000, which he could, if he wished, cash in with no tax to pay. Qualifying period

Plans will operate on a calen-

dar year basis. An investment will be treated as having year in which it is first used to purchase shares. In order to qualify for the tax exemptions, it must thereafter remain within the plan for the whole of the next calendar year.

For example:

An investment is made on December 1 1987 and used to purchase shares the same day. It therefore forms part of the investor's permitted allocation of £2400 for 1987. The invest-ment must be retained within the plan throughout the following calendar year 1988, and the earliest it can be realised without loss of tax exemption will be January 1 1989.

An investor saves £100 a such schemes easier for commonth under the scheme. During 1987 his plan manager insome control over holdings of their shares. ing 1987 his plan manager movests £1200 in shares (as and when sufficient funds have built up). The investment must built up). The investment must rolled companies which in the plan at past have been prevented from control over holdings of their shares by requiring that emphasis and their shares by requiring that emphasis and their shares are shares by requiring that emphasis and their shares are shares by requiring that emphasis and their shares are shares by requiring that emphasis and their shares are shares by requiring that emphasis are shares are shared as a share share are shared as a share share are shared as a shared as a shared are shared as a shared as a shared are shared as a shared as a shared are shared as a shared are shared as a shared are shared as a shared as a shared are shared as a shared are shared as a shared as a shared are shared as a shared are shared as a shared as a shared are shared as a shared are shared as a shared as is to qualify for the exemptions.

This rule does not require the original shares to be held throughout the qualifying period: shareholdings may be switched in the usual way without a tax charge.

Plan managers Under present legislation, a wide range of bodies would be wide range of bothes would be IN A post-budget statement, a loan, tax is charged on the sioners has held that no charge the tax can be charged but the managers, including members the Inland Revenue issued the company at the ACT rate can then be raised. The effect company cannot get the relief: of the Stock Exchange, licensed following statement on Loans securities dealers and a number of banks and other financial institutions. Subject to its his Rudget to amend the rules enactment, registration as plan his Budget to amend the rules repaid, the company can If so tax receipts could be will therefore ensure that from managers will in due course which apply when a closely reclaim the tax. It is not clear reduced by tens of millions of tomorrow a Section 286 charge managers will in due course managers will in due course be open to all those with appropriate authorisation under the priate authorisation under the now before parliament.

when a company makes a what is to happen however if the loan is repaid to the company has been repaid to the company has been repaid the other hand, another body while giving a proper measure of Commissioners has held that of relief to the company.

Green paper on personal taxation reform

## Reforms aimed at equality between men and women

green paper on the reform of personal taxation, which was published yesterday, raises issues of fundamental importance to every taxpaper." according to Mr Nigel Lawson, the Chancellor.

In a forward to the 82-page document, Mr Lawson says it of tackles two main sets of issues. soo First, it contains proposals for reforming "the structure of personal allowances in general and the treatment of married women in particular" aimed at securing complete equality for income tax.

THE Government's long-awaited possible under the present ing tax system, particularly green paper on the reform of system for the same cost." among married women." This would complement reforms contained in the Social Security Act now before Parliament.

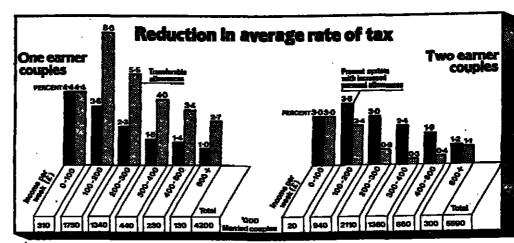
The green paper, he says, also discusses a number of other "possible long-term options." These include ways streamlining the tax and social security systems, changes to in.ome tax administration made possible by computerisation, and the possibility of amalgamating employees' national contributions with

Mr Lawson says responses to Second, it provides proposals for a new structure of personal sonal taxation published in tax allowances which will "take more people out of the poverty and unemployment traps than is dissatisfaction with the exist-

The present system denies them independence and privacy penalty on marriage, and is hardest on marked couples at just that time when they have the responsibility of a young family, or for an elderly rela-

The green paper envisages a system of transferable allowances which will end the legislation under which a married woman's income is regarded for tax purposes as that of her

It proposes "complete equality of the treatment of men and women for tax pur-



Single people in the 1986-87 tax year, the green paper says, have a basic personal allowance of £2,335. Married men have about one-and-a-half times the single person's allowance, or £3,665. The wife's earned income allowance is the same as the single person's allowance but can be set only against the wife's own earned income. The income of a married couple is aggregated for tax purposes and treated as if all the income

meet the objectives of its per-

sonal taxation reform propo-sals by introducing "a new

system of independent taxation with transferable allowances."

according to the Green Paper.
"Under this system every-

one man or woman, married or single — would have a tax allowance in their own right,

Paper says.
"To recognise the shared responsibilities of a married couple, a spouse who did not

have enough income to use up

their own tax allowance would be able, if they wished, to transfer the balance to their partner. The income of a hus-

certain loopholes currently being exploited in existing legis-

lation which taxes gains from shares and share options

acquired by directors and employees by virtue of their employment.

The legislation in question

applies where such gains do not

qualify for the tax reliefs asso-clated with approved employee

cated with approved employee share schemes.

The necessary amendments will be contained in the Finance Bill, and will take effect on March 19 1986. They are:

Section 186, Income and Corporation Taxes Act 1970
Percent position: Where

Present position: Where, outside the ambit of an

approved employee share scheme, a director or employee

realises a gain from the exercise, assignment or release

or an option to acquire shares in a company which was

The Chancellor proposes in

his Budget a number of im-provements in the legislation

which provides tax reliefs for

participation in approved employee share schemes. These

• Make the introduction of

following statement on Loans

مناك للمنعاطية والمدرين بالمنطقة أوارا المراكزية والمائية والمنافية والمراكزة والمركزة والمركزة والمراكزة والمراكزة والمراكزة والمراكزة والمراكزة والمراكزة والمراكزة والمراكزة

improvements will:

speech.

Shares and share options

whether or not they were in mean:
paid employment," the Green ● Single people would have

The effects are that a married couple where both are in work have about two-and-a-half times the single allowance. A married couple where only the husband works has one-and-a-half times the single person's allowance. But where only the wife is working, the couple have about two-and-a-half times the single person's

The green paper propose "a better deal for the family based on several objections to the present system.

First, a husband is legally responsible for a wife's tax affairs, so that she lacks finan-

Second, at present the tax This is because under the pre-system takes account of the sent system a two-earner shared responsibilities of mar-couple pay substantially less ried people, but bears more harshly on married rather than unmarried couples.

investment income and capital gains, to the additional allowance for single parents, and to mortgage interest relief. It means that there is a tax penalty on marriage which mostly derives from the basic rule that for tax purposes a married wonman's income is treated as part of her hus-

sent system a two-earner couple pay substantially less tax than a one-earner couple with the same income This means that the present

system takes no account of the life cycle whereby women have paid work until they leave it to bring up children, but then return to work later in life. Couples see a sharp reduction on their personal allowances if the wife leaves work, even though this may be at a time (such as the raising of a family) when they can least afford it.

weaken incentives. The group worst affected is low-earning married men with families.

This means that one-carner families are caught in the unemployment trap, whereby their income out of work is almost as high as their disposable income in work. They may also be caught in the poverty trap, where because of the combination of income tax, national insurance contributions and the with-drawal of income-related benefits, they are little or no better off is earnings rise.

Following the present reform

couples where only one partner

had a paid job; and once the

new structure was in place, thresholds could be raised more

effectively than under the present system."

The Government, however, will study responses carefully before deciding how to take

the issues forward, the Green

employers, and some 600 tax tax officers. "By any standards

it would be a major change."

It would require information

Paper says.

affected. Under the present system "it is very expensive to increase tax thresholds for married women where the wife is not in paid employment.

"The present system therefore does not target effectively the where it is most needed and where it can do most to ease the poverty and unemployment traps," the green paper says.
"We need to move to a new system that taxes married women on the same basis as

tax because many people's per-sonal allowances would change

their husbands, that does not discriminate against marriage Third, the present system Fourth, tax thresholds are of social security, which is in- and thetamily and that enables bears hardest on many couples too low. Too many people still tended to alleviate these traps, us to increase tax thresholds when they have a young family. come into tax at to low an in-

offices. New

### Discussion of social security and tax link

THE GREEN PAPER "opens up discussion on some important issues concerning the relationship between the tax and social

smip between the lax and social security systems."

It says that full integration of all benefits with tax is "never likely to be either desirable or practical." But the Government will ensure that opportunities for closer working together of the two systems ing together of the two systems will be taken where they make practical sense.

It says that two proposals are It says that two proposals are generally put forward. First, that entitlement to benefit should depend simply on income, as assessed for tax purposes. Under this approach, total integration would suggest that benefits such as retirement provides or child benefit would that benefits such as retarement pensions or child benefits could be withdrawn from people with higher incomes. Second, it has been proposed that a basic benefit or credit should be extended to everyone, at a level high enough to re-

move the need for separate benefits. Higher taxes on earnings and other income would recoup the loss.

The Green Paper says that the Government has "serious reservations" about either approach and intends "not to pursue allembracing big-bank solutions." Closer integration of tax and social security could be achieved by using the tax system to assess the eligibility of people for income-related bene-fits, requiring the Inland Re-venue to collect information not presently collected, about domestic circumstances.

'Such an approach might reduce administrative overlaps. It could also make claiming a more acceptable, automatic process."

consequences. First, tax offices would have to be geared to making more adjustments, assessments and repayments of Alternatively, a single set of payments could be introduced, setting off benefits against tax. so that only one net payment is made to or from each family. The Government has moved towards this in the Social Security White Paper's proposals for the new family credit. during the year according to their circumstances.
Second, there would need to be "an efficient mechanism for linking the tax records of husband and wife," requiring an index and tracing facility, and facilities for electronic But the Government will also Introduction of transferable allowances and the end of aggregation of husband's and wife," requiring an index and tracing facility, aggregation of husband's and facilities for electronic transfer of data between tax married couples, about 1m offices. examine the method of taxing National Insurance benefits, and especially the scope for applying PAYE to the national ing FAYE to the national insurance retirement pension, so that the pensioner would receive his pension from the Government after tax had been New computer facilities would be an essential requirement," together with additional staff — possibly several thou-

The Reform of Personal Taxation. Cmnd 9756. HMSO, £8.

## Arguments for reform outlined to give the family 'a better deal'

paper on personal taxation outreform of a system which, it says, has remained virtually unchanged since 1942 and rests on tax law dating to the early

allowance.

be added together for tax pur-

have independence and privacy in their tax affairs."

Were a system of this kind to be brought in, the Government

couple would suffer a cash re-

duction in their total allowance during the change. On 1986-87 figures this would

their allowance raised from £2,335 to £2,995.

• the married man who was

the only earner in the family would have his tax threshold

obtained by reason of his employment, the gain is charge-

able under Section 186 with

Schedule E income tax. Devices

hased on such options being

allowed to lapse are being used to avoid the tax charge.

The proposed changes: A charge to tax will arise under Section 186 when any benefit is

received or gain is realised on or after March 19 1986 in either

of the following circumstances:

The option holder omits or

undertakes to omit to exercise

• The option holder grants or

undertakes to grant an option over the shares which are the

subject of his own option.
Section 79, Finance Act 1972
Present position: As a means of preventing tax free employment remuneration through the provision of shares at artificially low prices or charge the units.

low prices or shares the value

of which can subsequently be manipulated, Section 79 (4)

charges to income tax increases in the value of shares acquired

by a director or employee by reason of his employment.

schemes.
These changes are briefly described below. Legislation

will be contained in the Finance

Restrictions on shares used

Shares subject to

in approved employee share

special restrictions may not at present be used in profit-shar-

ing schemes, savings - related share option schemes and other share option schemes approved

respectively under the 1978, 1980 and 1984 Finance Acts. This has prevented the intro-duction of such schemes by

Rules on closely controlled company loans amended

Tax reliefs on approved employee share schemes

THE Inland Revenue issued ing the exercise of options of shares subject to such a Finance Act 1978 prohibits the the following statement on under approved savings-related disposal requirement, where use of redeemable shares in an approved employee share schemes after the Chancellor's These changes are briefly total approved profit-sharing scheme.

ployees must sell their shares by directors or employees and when their employment ends.

The Finance Bill will contain pany.

legislation to permit the use Worker-co-operatives. The

poration Taxes Act 1970). If loans could be made, effect able.

his option:

Loopholes on staff shares to be closed

es, and all taxpayers would

This applies to the taxation of

of any change in the system cannot be taken now. "It would

be taken much nearer the in-

The effect of introducing

transferable allowances would be to treat women as indepen-

dent taxpayers, responsible for

the shares are not subject to defined restrictions, provided

either that the majority of the shares of the class in question was not acquired by directors

ticularly at protecting the inter-ests of employee participants

in these schemes are met.
Employee-controlled com-

that, where a company has two

classes of issued ordinary shares, most of the class of shares to be used in the scheme

must be held by outsiders (ie not employees or controlling or associated companies). The

Finance Bill will contain legis-

lation to permit the use, in this situation, of a class of shares

of which the majority is held

(Section 286, Income and Cor- of this would be that successive this would clearly be inequit-

subsequently the loan is tively bypassing the provisions. The Chancellor's proposal

tax reductions."

Transferable allowances could aid personal taxation reform wife is the sole earner would couple's total allowances rekeep the same total allowances in cash terms, £5,990. A decision about the phasing mained the same and did not fall when one partner left work. It would remove the present special tax incentive for two earner couples. "Such positive discrimination is neither neces-sary nor economically desirable troduction of the present sys-tem, in the light of economic circumstances and the scope for at a time of high unemploy-ment."

However, the Green Paper says that "there can be no direct evidence for or against" the view that transferable allowances would deter married women from returning to work because a husband would stand

their own affairs and filling in of forms, and affording them would have his tax threshold complete privacy.

to lose the raised from £3,655 to £5,990

If would recognise through allowance, (assuming that his wife transferred har allowance to him).

the tax system that at certain A shift times one married partner is ances we to lose the benefit of her tax A shift to transferable allow-ances would, "enhance the

partner. The income of a husband and wife would no longer and married couples where the other, by ensuring that the ways; the change itself would

rights issues derived on or after March 19, 1986, from the director's or employee's shares.

Bonus or rights issues derived from a holding which

The Finance Bill will contain legislation to permit the use of

such shares in this kind of scheme by worker co-operatives

ticipants in approved savings-

related share option schemes (Finance Act 1980) may not be permitted to exercise any

options they have held for less

than three years if the company or part of its business in which

they are employed is sold or

otherwise leaves the group operating the scheme. The

Finance Bill will contain legis-

The tax charge relates only charge by the early removal of

the lifting of any restrictions on that:
the shares. A range of exemp. In cases where a Section 79

tions from the tax charge (4) charge arises, the charge operate, in particular where will also take account of bonus

and employees as such, or that is subject to a Section 79 (4) directors and employees control charge will not count towards the company by virtue of their holdings.

Devices to avoid the Section

The removal of a restriction

exemption. at the seventh anniversary, or 
• The triggering of the tax on the earlier disposal.

panies. Some employee-controlled companies have been prevented from introducing approved schemes by the rule share options. Employee par-

to original acquisitions, and not trivial restrictions, although the to any bonus rights issues other requirements for exemp-

In his Budget, the Chancellor proposes to introduce rules in the UK similar to those which exist elsewhere to counter nonpayment of tax by non-resident entertainers and sportsmen. That is broadly gifts where the entertainers and sportsmen, property is not enjoyed by the Most other major countries have recipient to the entire exclusion withholding taxes and other of the donor. Examples of such measures designed to deal with gifts are where a house is given but the donor continues to this problem. UK entertainers and sportsmen who earn income in these countries have tax deducted before they receive it. The Chancellor proposes that in future tax should be with-79 (4) charge have made use attached to a share within the held at source from UK earnors:
scope of a Section 79 (4) charge ings of non-resident enter-

> The change is necessary because of the difficulty, encountered also by other countries, of securing tax payments from non-resident entertainers and sportsmen who pay short visits to the country concerned. Under present UK law they have often left the country before tax can be assessed and collected. In addition some of the higher earners set up arrangements to shelter their income from taxation. The result is that the income of nonresident entertainers and sportsmen can often easily escape UK tax. Currently the income tax yield on their UK activities is under £2m. With the new rules, the yield in a full year will be over £100m.

THE SCOTTISH Arts Council is to launch Scotland's first Artist in Industry fellowship scheme, as part of Industry Year 1986. Six three-month fellowships are to be established throughout Scotland in lished throughout Scotland in large and small companies representing traditional indus-tries as well as high technology

### EIB lends £10.5m

THE EUROPEAN Investment Bank is to lend £10.5m towards

## Special measures planned over gifts

but the donor continues to reside in it, where a settlor of a discretionary trust is also a beneficiary and, under certain insurance schemes, where the taxpayer retains a right to benefits in his lifetime.
Treatment of gifts in lifetime.

Under the new rules, a gift with reservation will be treated in the same way as any other gift at the time it is made. A gift between individuals will not be taxed at that time. A gift to a trust or a company will be taxed when it is made. Gifts involving insurance policies will be subject to these same rules depending on the recipient of the gift (individual, trust or company). Treatment on death.

When the donor dies special rules will apply. The gift will be treated for the purposes of the death charge as having been made when the reservation was released or the enjoy. The classed or the enjoy. The classed if later, even if the gift was made many years earlier.

If the reservation was released more than seven years before death, there will be no death charms on death of the release that the release will be no death charms on death of the release which the release of the released or the enjoy. The charms of a subsequent payment of a premium.

released less than seven years before death, the gift will be taxed as if it had been made at that time, on the basis of its value then.

Conditionally be reservation was pusiness and agricultural reliefs and an exempt beneficiary (eg a spouse).

At present, where a transfer (usually of an estate on death) is partly exempt (eg where the Credit will be given for any tax paid at the time of the original gift.

If the reservation was not released until death, the gift will be taxed as part of the donor's estate on the basis of its value at the date of death. Again, credit will be given for any tax paid at the time of the Original gift.
Entry into effect.

following statement on non-resident entertainers and sports-following statement on capital issues may be more complex following statement on capital issues may be more complex transfer tax and inheritance tax when the gift is made to a relating to gifts with reservation trust. The gift to the trust will be subject to the new rules unless it was perfected by mid-night on Monday.

The question of when an insurance is made is a matter of contract law. The Inland Revenue's understanding is that an insurance is not legally made until one party to the contract has unconditionally accepted an offer (or counteroffer) from the other and notified him or her to that effect. Where an offer is accepted by the insurer the contract will normally be con-cluded by despatch of a letter of acceptance or the policy to the policyholder. Provided that such notification was posted before midnight on March 17, the contract in question will normally be regarded as made before the deadline. Where acceptance by the insurer is subject to conditions the contract is normally concluded when the conditions (eg pay-ment of the premium) are fulfilled. Where a counter-offer is made by the insurer the con-tract of insurance is made when the insured accepts the counteroffer, either by notifying the insurer to that effect or by subsequent payment of a

will be no death charge on for dealing with estates which the reservation was business and agricultural reliefs

At present, where a transfer (usually of an estate on death) is partly exempt (eg where the spouse is a beneficiary) and includes property qualifying for business or agricultural relief that relief is given form that relief is given first and then the exempt and chargeable parts of the transfer are ascer-

### from taxpayers not presently sand once the system became held in many cases and would fully operational. Non-resident Capital Tax entertainers to be taxed

derived from them. It arises tion from the charge may either on the seventh anniversary of the acquisition, or on the earlier disposal of the shares or interest in shares, or effect from March 19, 1986, the lifting of any postulation. men after the Chancellor sat

tainers and sportsmen. This means that their earnings will be paid net of tax at the basic

The present treatment of will not occasion a charge, bonus and rights issues, both to dilute the value of the original acquisition for tax purposes and to secure qualification for the "majority" since acquisition will be avenued at the seventh anniversary or pe paid net of tax at the basic rate. (In practice their liability will often be greater than this.) Steps will also be taken to counter the avoidance arrangements which exist. The new rules will not apply before 1987-88.

### **Artist in Industry** plan for Scotland

lation to permit approved schemes to provide for the exercise of options in these

financing road, water supply and sewage schemes in central Scotland and road improve-

ren per ver .

RED C

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sections 36-42 CTTA 1984. The Entry into effect.

The new measures will apply to gifts made after midnight on 114 CTTA 1984 and those relatto gifts made after midnight on Monday. In deciding whether a gift was made before or after then, it will be necessary to look carefully at the surrounding circumstances.

In straightforward cases where a cift involving an inchange of the property by changes will mean that where In straightforward cases where a gift involving an in-surance policy or policies is there is a specific gift of pro-made to an individual, the date of the gift will normally be the date on which the will attach to that property.

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A CONTRACTOR

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## New tax tables in use from May 17

3,455

1,320 2,850 4,505 9,400

5.9 5.9 6.8

### PERSONAL ALLOWANCES

	1986-87	Proj	Proposed Increase		T in in w pe
etaos: allosesuca	٤	£	%	<u> </u>	_
d wife's earned one relief)	2.205	136	20	2 225	

### RATES AND RATE BANDS

3,455

	<u> </u>	<del></del>		<del></del>
				1964-67
				proposed
Rate of	1985-86	Preposed	increase	teable
tax	taxable income	in startë	ng point	income
29 <sup>%</sup>	£	£	%	£
		_		0-17,200
30	0-16,200			
40	14,201-19,200	1,000	6.2	17,201-20,200
40 خذ	19,201-24,400	1,000	5.2	20,201-25,400
50	24,491-32,300	1.000	4.1	25,401-33,300
55	32,301-40,260	1,000	3.7	33,301-41,200
AD.	over 40.200	1.080	2.5	over 41,200

The table below provides a guide to when an election may be beneficial. If the combined income is the figure in column A, then the wife's earnings must normally be within the figures in column B to make an election

	985-86	1986-87				
A Combined income £	B Wife's earnings £	A Combined income £	B Wife's earnings £			
25,361	6,956-18,405	26,527	6,986-19,53\$			
30,000	5,956-24,044	30.000	6,048-23,952			
35,000	5,331-29,669	35,000	5,478-29,522			
40,000	4,956-35,044	40,000	5,309-34,691			
at least		at least	•			
47,110	4,706	48,425	4,890			
-	and above*	1	and above*			
band's income	her income (hus- plus wife's invest- s also at least £4.706.	* Provided of band's income income income	plus wife's invest-			

	199	86-87			
	total costs	cost above indexation	1987-88 total costs		
Personal allowances-	1,020		1,285		
Basic rate limit Reduction of 1p in basic	76		115		
rate Increase in further higher	830	830	1,245		
rate thresholds	35	-15	70		
Totals	1,955	815	2.715		
• •					

### MARRIED COUPLES-HUSBAND AND WIFE BOTH WORKING-INCOME **ALL EARNED**

COMPARISON OF INCOME AFTER TAX IN 1985-86 AND 1986-87 WHERE EARNINGS INCREASE BY 7 PER CENT

. —	kly income in 198	5.94	Charge i	n 1985-86	Adju	ited weekly in	comet		ed charge 986-87	
, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	all meanie at 174			Percentage of Income					Percentage of income	Percentage change in
		•	Income	taken in				Income	taken	income
Husband	Wife	foint	tax	tex	Husband	Wife	<b>Joint</b>	tax	in tax	after tax
£	£		£	%	£	£	£	£	%	%
100.00	50.00	7.50.00	12.35	8.2	107.00	\$3.50	76Q <u>.</u> 50	13.14	8.2	7.]
	180,00	200.60	27.35	13.7		<b>397.00</b>	214.00	28.65	13.4	7.4
	159,000	258.00	42.35	14.9		160.50	267.50	14,77	16.5	7.6
	209.00	300.00	57.35	19.1		214.00	321.00	<b>8</b> 3.62	18.6	7.7
	300,00	400.00	87.35	21,8		321.00	428.00	<b>90.7</b> 1	21.2	7.9
150.00	50.00	260.00	27.35	13.7	160.50	53.50	214.00	28.65	13.4	7.4
	500,00	258.00	42.35	16.9		107.00	267.50	44.17	16.5	7.6
	150,89	300.00	57.35	19.]		160.50	321.00	\$3.62	3.81	7.7 7.8
	200,00	350.00	72.35	20.7		214.00	374.50	75.20	20.1	7.8
	300,00	450.00	305.31	23.4		321.00	481.50	110,74	22.9	7.7
200,00	50.00	250.00	42.35	16.9	234.80	53.50	267.50	44.17	16.5	7.6
******	700,00	300,60	57,35	19.1		107.00	321.08	59.68	18.6	7.7
	150,00	358.00	72.35	20.7		160.50	374,50	75.20	20.1	7.8
	200,60	400.08	87.35	71.8		214.00	428.00	90.71	21.2	7.9
	306.00	500.00	124.56*	24.9		321.00	535.00	729.1G*	24.7	8.7
300.00	50.00	358.80	72.35	20.7	321.09	<b>53.50</b>	374.50	<b>75.20</b> .	20.1	. 7.8
	100,00	400.00	27.35	21.8		187.00	428.00	90.71	21.2	7.9
	150.00	450.D0	105,31	23.4		160.50	481.50	110.14	22.9	1.7
	200.98	500.00	124.54*	24.9		214.00	535.00	129.10*	24.1	8.7
	309.00	400,00	154.56*	25.8		321.00	642.00	360.13*	24.9	8.2 7.7
400.00	50,00	450.00	105.31	23.4	428.00	53.50	481.50	110.14	22.9	7.7
10000	199.00	500.00	126,40	25.3	_	107.00	535,00	133.10	<u>24.9</u>	7.6
	150.00	550.00	144.16*	26.2		160.50	588.50	150,38*	25.6	8.0
	200.00	400.00	759.74*	26.2 24.5		214.00	642.00	165.89*	25.8	8.0

196.92\* 300.00 700.00 189.16\* 27.0 321.00 749.00 † The adjusted incomes shown for 1986-87 are for likustration. They have been obtained by increasing the corresponding incomes in 1985-86

by 7 per cent.

Denotes wife's earnings election beneficial.

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Marie and Marie

Adjusted weekly income? Proposed charge

### MARRIED COUPLE WITH TWO CHILDREN-INCOME ALL EARNED

COMPARISON WITH 1985-86 WHERE EARNINGS INCREASE BY 7 PER CENT BETWEEN 1985-86 AND 1986-87 INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (CONTRACTED IN)

	1985-86 (	Post Novem	nber 1985)		1986-87 (Post July 1986)					Change
Income £	Income tax £	NfC £	Child benefit £	Net income £	Adjusted income*	Income tax £	NIC £	Child benefit £	Net income £	in net income
70.0	1.07	4.90	14.00	78.03	74,90	1.34	5.24	14.20	82.52	5.8
20,00	4.07	5.60	14.00	84.33	85.60	4.44	5.99	14.20	89.37	6.0
90.00	7.07	8.10	14.00	88.63	96.30	7.54	8.67	14.20	94.29	6.7
100.00	10.07	9.00	14.00	94.93	107.00	10.65	9.63	14.20	100.92	6.3
120.00	16.07	10.80	14.00	107.13	128,40	16.85	11.56	14.20	114.19	6.6
140.00	22.07	12.60	14.00	119.33	149.00	23.06	13.48	14.20	127.46	6.8
160.00	28.07	14.40	14.00	131.53	171.20	29,26	75.41	14.20	140.73	7.0
180.00	34.07	16.29	14.00	143,73	192.60	35.47	17.33	14.20	154.00	7.1
200.00	40.07	18.00	14.00	155.93	274.00	41.68	19.26	14.20	167.26	73
256.00	55.07	22.50	14,00	186,43	267.50	57.19	24.07	14.20	208.44	75
		23.45	14.08	220.08	321.00	72.71	25.45	14.20	236.84	7.6
300.86	70.07			255.08	374.50	88.22	25.65	14.20	274.83	7.7
358.00	<b>85.07</b>	23.85	14.00		428.00	106.70	25.65	14.20	274.85 309.85	
400.00	102.27	23.85	14.00	287.58						7.6
500.00	145.48	23.85	14.00	344.67	535.00	153.31	25.65	14.20	370.24	7.4

\* The adjusted incomes shown for 1986-87 are for illustration. They have been obtained by increasing the corresponding incomes in 1985-86 by 7 per cent.
Employees' National Insurance Contributions are at the standard Class 1 rate for employment not contracted out of the State additional (earnings-related) pension scheme.
Calculations assume that only the husband has earned income.

### WIFE,S EARNINGS ELECTION

porthwhile. The figures are shown before the deduction of reliefs or

### COSTS (£m)

down the Treasury issued the following statement: Implementing the changes through PAYE: Reduction in basic rate and changes in higher rate bands: New tax tables reflecting the employers on the first pay day after May 17.

AFTER THE Chancellor sat

Changes

 For employees whose codes end L. H. P. or V: tax offices will be sending employers sending employers instructions instructions to increase codes ending in L, H, P, or V by the appropriate amounts paragraph 1. The new increased codes should take effect on the first pay day after May 17. Revised coding notices are not sent to employees when are increased automatically in this way.

begin with F or end in T: these codes will be reviewed individually by the tax office which will notify both the employee and employer of the revised code where a change is due. The revised codes will generally take effect on the first pay day after May 17.

For employers: tax offices will instruct employers to increase, by the appropriate amount, codes ending in L. H. P. and V. They will also issue to them, where necessary, revised codes beginning in F and ending in T.

New codes and tax tables will generally be used on the first pay day after May 17.

Employees liable to tax at the

There are special adjustments in the PAYE codes of some em-ployees liable to tax at the higher rates. This is because either their wives are working ("excessive basic rate" adjust-ment) or they have a mortgage (" Interest—higher rate relief" adjustment). These adjustments will be reviewed and revised where necessary by tax offices in the course of examining these taxpayers' 1986-87 tax returns.

age allowance. Where a taxpayer or his wife is over 65 but their total income is above a certain limit, the age allowance is progressively withdrawn until it is reduced to the level of the basic single or married allowance. It is proposed to raise the income limitbelow which age allowance is due in full-to £9,400. This means that in the tax year starting April 6 1986 the benefit of the married age allowance will not run out until the taxpayer has income of £10,675. For a single person the corresponding

figure of income is £10,173. Tax offices will amend codes which at present include a reto take account of age allowance, to take account of the increase in the income limit. Where the size of a taxpayer's income means that no age allowance was given for 1985-86 but age allowance is now due, the tax office will revise the code where necessary in the course of examining the 1986-87 tax return. duced amount of age allowance.

Any taxpayer who is not get-Any taxpayer who is not getting age allowance at present but expects to be entitled to age allowance following the proposed increase in the income limit, and has not been asked by the middle of April to complete a 1986-87 tax return, should write to his or her tax office giving details of income and date of birth.

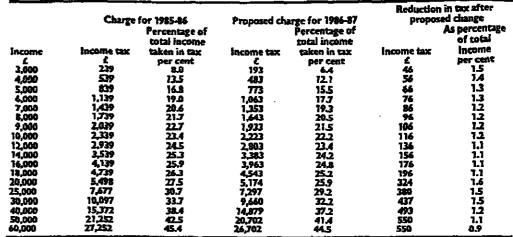
Wife's earnings election.

date of birth.

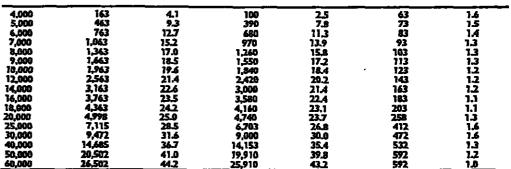
Wife's earnings election.

In certain circumstances a married couple may find it to their advantage to elect for the wife's earnings to be taxed separately. For 1985-87 an election will normally only be worthwhile if the couple's combined income before deduction of allowances and reliefs is over £26,520, including wife's earned income of at least £6,986. (The corresponding figures for 1985-1986 are £25,360 and £6,956.) The table herewith shows the position for other levels of income. Inland Revenue leaflet IR13 gives further details fo the election.

### SINGLE PERSONS—INCOME ALL EARNED

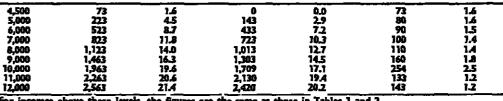


### MARRIED COUPLES—INCOME ALL EARNED



### **ELDERLY SINGLE PERSONS—INCO ME ALL EARNED** 12.5 15.2 17.2 18.7 19.8 623 913 1,203 1,493 1,783 2,189 2,513 18.5 19.9 21.5 1,932

### **ELDERLY MARRIED COUPLES—INCOME ALL EARNED** 523 433 Increase in income limit for



ve these levels, the figures are the same as those in Tables 1 and 2.

### SINGLE AND MARRIED COUPLES—INCOME ALL EARNED

COMPARISON WITH 1985-86 WHERE EARNINGS INCREASE BY 7 PER CENT BETWEEN 1985-86 AND 1986-87 INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (CONTRACTED IN)

	Charge fo	r 1985-86			Proposed	charge for	1986-87	
Weekly income	•		Percentage of total income	Adjusted*	•	•	Percentage of total income	Percentage in
in	income		taken in	income in	income			income afte
1985/86	tax	NICT	tax & NIC	1986/87	tax	NIC†	tax & NIC	tax & NK
£	Ĩ.	£,	per cent	£	É	£	per cent	per cent
Single persons	<del></del>							
50.00	2.28	2.50	9.6	53.50	2.49	2.67	2.6	6.9
55.00	3.78	3.85	13.9	58.85	4.04	2.94	11.9	9.5
66.00	5.28	4.20	15.8	64.20	5.59	4.49	15.7	7.1
70.00	8.28	4.90	18.8	74.90	8.70	5.24	18.6	7.3
80.00	11.28	5.60	21.1	85.60	11.80	5.99	20.8	7.4
90.00	14.28	8.10	24.9	96.30	14,90	8.67	24.5	7.6
100.00	17.28	9.00	26.3	107.00	18.01	9.43	25.8	7.7
120.00	23.28	10.80	28.4	128.40	24.21	11.56	27.9	7.8
140.00	29.28	12.60	29.9	149.80	30.42	13.48	29.3	7.9
160.00	35.28	14.40	31.1	171.20	36.62	15.41	30.4	8.0
180.00	41.28	16.20	31.9	192.60	42.83	17.33	31.2	8.1
200.00	47.28	18.00	32.6	274.00	49.04	19.26	31.9	8.2
250.00	62.28	22.50	33.9	267.50	64.55	24.07	33.1	8.3
300.00	77.28	23.85	33.7	321.00	80.07	25.65	32.9	8.3
350.00	92.28	23.85	33.2	374.50	95.58	25.65	32.4	8.3
400.00	171.88	23.85	33.9	428.00	116.85	25.65	33.3	8.0
500.00	156.30	23.65	36.0	535.00	164.82	25.65	35.6	7.7
Married coupl								
70.06	1.07	4.90	8.5	74.90	1.34	5.24	8.8	6.7
80.00	4.07	5.60	12.1	85.46	4.44	5.99	12.2	6.9
90.00	7.07	8.10	76.9	96.30	7.54	8.67	16.8	7.0
100.00	10.07	9.00	19.1	107.00	70.65	9.63	19.0	7.2
120.00	16.07	10.86	22.4	128.40	16.85	11.56	22.1	7.A
140.00	22.07	12.60	24.8	149.20	23.06	13.48	24.4	7.5
160.00	28.07	14.40	26.5	171.20	29.26	15.41	26.1	7.7
780.00	34.67	16.20	27.9	192.60	35.47	17.33	27.4	7.8
200.00	40.07	18.00	29.0	214.00	41.6B	19.26	28.5	7.8
250.00	55.07	22.50	31.0	267.50	57.19	24.07	30.4	8.0
300.00	70.07	23.85	31.3	321.00	72.71	25.65	30.6	8.0
350.00	85.07	23.85	31.1	374.50	88.22	25.65	30.4	8.1
400.00	102.27	23.85	31.5	428.00	106.70	25.65	30.9	7.9
500.00	145.48	23.85	33.9	535.00	153.31	25.65	33.5	7.7

\* The adjusted incomes shown for 1986-87 are for illustration. They have been obtained by increasing the corresponding incomes in 1985-86 by 7 per cent.

† National insurance Contributions are at the standard Class 1 rate for employment not contracted out of the state additional (earnings related) pension scheme.

‡ Assuming that only the husband has earned income.

Capital Transfer Tax

## Structural alterations accompany change of name to Inheritance Tax

Tax (CTT), which will in future the known as Inheritance Tax. The proposals are as follows:

The proposals are as follows:

The existing lifetime CTT charge on gifts between individuals will be abolished for transfers on or after Budget

Tax (CTT), which will in future and out or trust, discretions (eg £3,000 annual exemptions such as an entry into trust charges on discretionary trusts will continue on a 10 yearly basis.

The existing lifetime CTT charges on discretionary trusts will continue on a 10 yearly basis.

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The existing lifetime CTT charges on discretionary trusts will be abolished for lifetime CTT charges on gifts between individuals will be abolished for lifetime CTT charges on discretionary trusts will be existent to the lifetime and the lifetime can life or charges on discretionary trusts will be abolished for lifetime CTT charges on discretionary trusts charges, and gifts lifetime CTT charges on discretionary trusts are charges, and gifts lifetime can lifetime CTT charges on discretionary trusts will be abolished for lifetime CTT charges and gifts lifetime can lifeti transfers on or after Budget Day.

the cumulation period for a ture).
donor's or settlor's chargeable transfers will be reduced from seven

AFTER the Chancellor sat viduals; no lifetime charge on slice of cumulative transfers in for six to seven year, 20 per for the maintenance of a relaby the deceased to an individual. be effective for transfers on or down, the Inland Revenue gifts into accumulation and the seven years before death. cent. tive who becomes unable to The primary responsibility for after Budget Day. CTT will con-

measures on or since duality be the comulation period for a countainty seven years of death will generally be brought into charge at a tapered rate but the tex charge on gifts into trust and trust events will continue much as at present.

There will be special rules to prevent the avoidance of the charge on death by gifts where the control of the continue much as at present.

With cumulation of charge able transfers in previous seven the charge on death by gifts where the control of cash where gifts are should be formed to the control of the charge on death by gifts where the gift on the case the gift of the control of the charge of the c Reintroduction of estate duty

down, the Inland Revenue gifts into accumulation and its seven years before death.

The Chancellor proposes in his Budget Changes to the structure of Capital Transfer Tax (CTT), which will in future

The Inland Revenue gifts into accumulation and the seven years before death.

Existing exemptions: Where the seven years before death.

Existing exemptions: Where the seven years before death.

Existing exemptions: Where the following statement: Iffetime charge: Trust events and other events still subject to a lifetime charge will continue to operate until Royal for changed circumstances since the fall on the done, but with recourse to the finance for the gift.

Trusts and companies: lifetime transfers are charge and other events still subject to a lifetime charge will continue to operate until Royal for changed circumstances since to a lifetime charge will continue to operate until Royal for changed circumstances since to a lifetime transfers are charge and other events still subject to a lifetime charge will continue to operate until Royal for changed circumstances since to a lifetime transfers are charge and other events still subject to a lifetime charge will continue to operate until Royal for changed circumstances since to a lifetime transfers are charge.

The Chancellor proposes in the tax on gifts triggered by the donor's death will fall on the donor's death will fall on the donor's estate if necessary.

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The Chancellor proposes in the tax on gifts triggered by the don

allowed as liabilities of a deceased's estate if the creditor had received gifts from the deceased or if the liabilities were not incurred for full consideration and for the deceased's own use or benefit.

There will be provisions for rearranging the pre-death cumulation to cover the unusual case where reservations are created or gifts with reservation are made into or out of the current prints of Inland Revenue Accounts (in Scotland, Inventories) should be used for the time being for the purposes of Inheritance Tax in connection with deaths which occur on or after March 18 1986. Until new forms are produced references in the existing forms to Capital Transfer Tax will be read as though they were references to Inheritance Tax. Appropriate adaptations may, if necessary, be made.

Transitional arrangements: Where a gift made before Budget Day is chargeable as a result of the donor's death on or after Budget Day, no more tax will be payable under the new regime than if the present regime had continued. The new rules about gifts with reserva-tion (including insurance schemes) or non-deductibility of debts will not apply to gifts made or debts created before Budget Day.

Effective date of proposals: technic The Chancellor's proposals will ments.

The Chancellor proposes in for the disabled.

The Chancellor proposes in structure of Capital Transfer Tax (CTT), which will in future be known as Inheritance Tax.

Existing exemptions: where the disabled.

Lifetime transfers are charge and other events still subject to a lifetime charge will continue to be taxed at half the death rates. Where a transfer, allowed as liabilities of a because of changed circumstances since donor's death will fall on the disabled.

Assent to the Finance Bill gives donor's estate if necessary.

Inheritance Tax.

The current prints of Inland the disabled.

Trusts and companies: lifetime transfers are charge and other events still subject to a lifetime charge will continue to be taxed at half the disabled.

Certain debts will be disabled.

Certain debts will be disabled.

The current prints of Inland the disabled the proposed to the proposed the gift.

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The current prints of Inland the gift the gift

transfers on or after March 18.

After Royal Assent, such cases

The Chancellot prices in line with the retail prices index the threshold and prices index the threshold and will be finalised in accordance with the enacted legislation. Consequential changes: The Chancellor proposes to make other consequential changes to adapt the existing CTT provisions to the inheritance tax inheritance tax inheritance tax ing the rate bands by the integrine. One existing ritief for crease in the retail prices index mutual transfers (Sections 148)

regime. One existing rtlief for mutual transfers (Sections 148 and 149, CTT Act 1984) will be abolished for transfers on or rounded up to the nearest after Budget Day. Where a gift between individuals becomes chargeable, business and agricultural relief will be available provided the present conditions are satisfied at the time of the gift, and also that the recipient tax (CTT) threshold an has qualifying property at the bands to rise each year time of the donor's death.

### **Thresholds** to be raised

rate bands for capital transfer tax, to be known in future as

during the year ending Decem-ber 1985, which are then rounded up to the nearest and December 1985 the retail prices index increased by 5.69 per cent. Section 8 of the Capital Transfer Tax Act 1984 provides for the capital transfer tax (CTT) threshold and rate

CGT Interactions: The capital tables. One is for transfers on gains tax hold-over relief for or within three years of death. gifts will remain, subject to The second, for other chargetechnical consequential amend- able transfers, has rates half those under the first.

MR LAWSON's scheme to help or intermediate switching, any will have a useful cumulative cannot be liquidated without wider share ownership concerns on. This is how it appears to turn Britain into a "shareown- profits are free of capital gains effect. Moreover the scheme ing democracy" through the tax, although this may not will be flexible, because there a modest response by the Government to the regular pressure from the Stock of £6.300 2 page amount to any great concession a modest response by the decount apart from the stock of £6.300 2 page amount to any great concession will be no penalty from winding up the account apart from in the first year or so. But it has to be said that the scheme Exchange and elsewhere for incentives for investors to put their money directly in stocks. Most investors obstinately prefer to put their money in build-

ing societies, even though equities have given significantly higher returns over the past decade, as the Stock Exchange pointed out last month. Although the Chancellor compares his scheme to the Loi Monory in France — a plan emulated to various degrees by other continental countries this does not exactly amount to the Loi Lawson. The reason is

that the crucial incentive of initial income tax relief is What remains is a regular savings plan of up to £200 a month within which dividend income can be rolled up free of income tax, so long as the plan is maintained for at least a full January-December calendar year. On termination,

The key question may be whether investment managemen firms will be able to create a marketing focus which could attract investors into such schemes. Any manager legally able to deal in securities may become an authorised PEP manager. Money from investors will then go into equities traded on a UK stock exchange. Invest-ments may be chosen directly by the investor, or on a dis-cretionary basis by the fund manager; either way, the PEP manager will have custody of

the securities. Presumably a mechanism will be devised to enable PEP managers to claim back the tax on dividends, in a similar way to pension funds, although this has not yet been spelt out.

Over a period of years, the advantage of an extra percentage point or two of income, plus the absence of capital gains tax,

The PEP plan is therefore not to be directly compared widel feared that commissions the annual contributions are with either of these concepts; on small bargains will go up indeed, Mr Lawson is proposing separate measures in relation sultative documents later this

Direct equity investment is the specific objective of the scheme, in contrast to IRAs, where a wide variety of investments, including bank accounts, are permitted, and also with the Monory plans where investment is through special unit trusts (Sicars). trusts (Sicavs).

Investment in unit trusts appears to be ruled out by the terms of the PEP proposals. although investment trusts would be acceptable. Presumably the accounts must also be permitted to hold a certain amount of uninvested cash on a temporary basis. Whether the managers will be able to go fully liquid during a bear mar-ket is just one of many points of detail which will have to be ironed out in due course.

might reason that it would be weathering the unworth roned out in due course. economic early year or two in a "dramatic extension of share The big challenge which needs order to reap the reward of ownership in Britain" could be faced by any scheme for managing swollen accounts later take quite a while to be realised.

trading and holding relatively

maximum annual contribution,

might prove a more economic proposition. It will also be hard

adequately.

diversify the portfolio

Then there is the question of

penalty until the investor is the uncertain economics of have worked out in the US IRAs have become small amounts of equities. It is heavily marketed even though

rather than down after next October's Big Bang. Sums of £200 or less a month cannot be The Inland Revenue gives the example of an investor whose annual £2,400 contribution invested without incurring concould accumulate into a fund of siderable costs, though a lump sum of the order of £2,400, the £35,000 after 10 years.

Another thought which may cross the minds of potential PEP managers is that a PEP client list could be a useful source of other kinds of busi-ness, fro minsurance to mortthe fees the PEP managers gages.

might want to charge. At There is also the question of

the unseen potential which the present, few managers are keen the unseen potential which the ever-creative product designers of the savings market may well detect in the PEP concept. Could special high dividend investment trusts be devised, for example? Once PEPs have built up to a decent size after the product of the pro to manage equity portfolios of less than about £20,000, and it could take many years for individual PEPs to reach that level Moreover, claiming back the tax on dividends could prove administratively expena few years, various kinds of income tax sheltering tech-niques may become worthwhile But barring unforseen devel-opments, Mr Lawson's dream of

## Cut in stamp duty leaves room for further reduction

THE CHANCELLOR went only half way yesterday towards meeting the City's hopes for a total abolition of stamp duty on share transactions in honour of the Big Bang. And he broadened its scope too, adding a further tinge of disappointment. But the Government hopes the measures will cut the cost of investment for the UK's budding shareholder democracy, boost London's place in the increasingly competitive inter-national securities market, and achieve a more even distribution of tax on financial transactions.

But it may also create new

"We would obviously have preferred to see the whole lot go. But we understand the constraints the Chancellor was working under," said a Stock

Exchange spokesman.

The cut from 1 per cent to } per cent, which will take effect after Big Bang on October 27, is the second made by the Tory Government (it came down from 2 per cent in 1984). But it will still leave the UK with one of the highest taxes on share transactions in the world (New York has abolished them altogether). So while the cut should boost turnover on the London market it still leaves scope for another cut in the years ahead. The Bank of England estimated the last cut

Mr Lawson recognised the continuing discrepancy with New York with one of the major additional measures announced yesterday: a new 5 per cent tax on the con-version of UK shares into American Depositary Receipts (ADRs), the form in which UK shares are now traded in their issuers—and driving top corpormillions on Wall Street by investors seeking to escape UK obvious alternative, the Eurostamp duty. At the moment, these conversions are charged to the exemption of the Eurobond market where securities at the normal stamp duty rate. This new rate will affect all deals made after March 24 unless they were contracted for

by last night. However, there was nothing in yesterday's enormous market (which brings Budget to force or encourage repatriation of existing ADRs (which are out of the UK tax centre such as Luxembourg.

Along with loan stock, Mr discourage the creation of new laws on ended the exemptions ones and not necessarily add

payment of stamp duty. But ations to tap the Euromarkets there will be proposals to enable clearing houses to enter Overall, the package of into similar arrangements as the

shares for cash (which are subject to stamp duty in the normal way), exchanges got exemption in the last Budget. These will now be charged at the new rate of 1 per cent straight away. Other company rearrangements of shareholdings which pre-viously enjoyed exemption but were often abused will also be charged, with the exception of genuine company reconstructions where there is no real change of ownership.

Non-taxable instruments such as letters of allotment are drawn into the stamp duty net, too. So are "closing" trans-actions made on the exchange between account day when people buy and sell the same shares without taking delivery of them. This accounts for about 5-10 per cent of turnover. Companies buying back their

### Financial services DAYID LASCELLES

shares will have to pay stamp duty as well.

One of the more controversial measures is the Chancellor's decision to withdraw the exemption from stamp duty enjoyed by loan stock—introduced in 1976 to encourage corporations would raise dealings by 70 per to tap the UK debt market. This cent over four years.

Mr Lawson implicitly effort to create more of a "level

playing field" between different types of securities finance.

However people in the City believed last night that this would have the double-edged effect of reducing liquidity in the loan stock market and therefore discouraging would-be issuers—and driving top corpor-

bond market where securities are not registered but traded in bearer form, was confimed by the Chancellor yesterday, presumably to avoid driving this enormous market (which brings a lot of business to London) to

The 5 per cent tax will apply to shares transferred to clearing houses where they are "traded" traded to shares transferred to clearing houses where they are "traded" foreign borrowers. This, too, could encourage foreign corporcional transferred to clearing the shalls—and for bulldog bonds—loan stock issued on the UK market by foreign borrowers. This, too, could encourage foreign corporcional transferred to clearing the shalls—and for bulldog bonds—loan stock issued on the UK market by foreign borrowers.

Stock Exchange whose clearing neutral. But the Chancellor is probably giving away £200m by cutting stamp duty in half, half way through the year (the Stock Exchange estimates total aboli--- whose deposits are not in- velocity of EM3, however, allows goals. No one is going to feel the City by extending stamp tion would cost £800m), and cluded in £M3-and high real the range to be increased with- for a minute that interest rates have led to a out departing from the MTFS will be set by this target."

the City by extending stamp tion would cost £800m), and duty to acquisitions made in recouping the same amount by exchange for shares.

## Brewers cheer, but smokers lament

MR LAWSON'S generosity towards Britain's drinks manufacturers—no duty increases on any alcoholic drinks—was matched yesterday by the harshness of his attack on the

tobacco industry. By giving an extra turn to the budgetary screw on cigarettes
—11p on a packet of 20 is equivalent to more than double the inflation rate—Mr Lawson may have roused cheers among the anti-smoking lobby. But the reaction from manufacturers was one of tetchy resignation.

A packet of Benson and Hedges king size, Britain's best-selling brand, will now cost £1.50 and the cheapest own-brand imports will probably sell

at about £1.15. "It's brought a little glow to our cheeks," said Action on Smoking and Health. Citing research by medical statisticians which suggests that the increase will depress cigarette sales by 2 per cent, the lobby group was particularly pleased that the Chancellor had specifically mentioned "health grounds" in his

justification for the rise.

By contrast, Mr Clive Turner of the Tobacco Advisory Council, an industry organisa-tion, warned that more tobacco industry jobs could be at risk

because of the increase. Tobacco, could be to suck in more cheap imports, further depressing trade for British stunned by yesterday's announ-of duty increase, expressed depressing trade for British stunned by yesterday's announ-of duty increase, expressed depressing trade for British stunned by yesterday's announ-of duty increase, expressed depressing trade for British stunned by yesterday's announ-of duty increase, expressed depressions and the statement of the statem

Imports faltered last year when the 1985 Budget increase of 6p took retail prices of these products through the critical

£1-a-packet price barrier. Even so, cigarettes from West Ger-many and other Continental countries have won more than 7 per cent of the market in just five years.

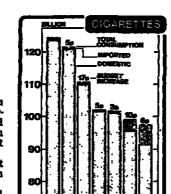
Manufacturers were reluctant to forecast detailed effects on the industry, but Mr David Redway of Imperial said that the usual post-Budget reaction was a fairly sharp fall in sales followed by a gradual rise. Effects of the duty in-crease could also be mitigated

by the continuing price-cutting war among retailers.
The British industry had a bad year in 1985. The 6p a pack duty increase at the Budget,

### Tobacco and alcohol CHRISTOPHER PARKES

AND LISA WOOD

competition from retailers' own brands and heavier pressure from the health lobby are esti-mated to have knocked a further 2 per cent off volume sales. In June Imeprial announced 1,700 job losses and Rothmans followed the announcement a few months later with a cut in change, according to Imperial its workforce of more than 400.



can be flexible precisely because it confers no very great

For comparison, the Loi

Share ownership

BARRY RILEY

incoming Socialist French Gov-ernment in 1981 — allows 25 per cent initial income tax re-lief on an investment of up to

FFr 14,000 (£1,400) for a mar-ried couple. The investor is then locked in for five years before he can sell without in-

curring a tax penalty.
In the US, so-called Indivi-

dual Retirement Accounts have become very popular. These provide full tax shelter for up to \$2,000 a year, and investments can be freely traded within the IRAs, but these are executably persion fixed and

sentially pension funds and

initial benefit on the saver.

whisky industry, are struggling to maintain sales. Sales of fortified drinks, such as port and sherry have been declining. Beer sales have also been falling -down 12 per cent since 1979. This trend was not helped by the fact that in 1984 duty on beer rose by more than the rate of inflation because the Chancellor had to adjust the ratio of tax on beer and wine in response to an EEC ruling that Britain was discriminating fiscally in favour of beer.

In an attempt to write this mornings' newspaper headlines, the Brewers Society said simply: "Cheers, Chancellor. It is the first break for beer for seven

The Wine and Spirit Association said: "Sales and revenue will benefit because of the Chancellor's acknowledgement of the trade's logical argu-

appointment that the Chancellor While consumption of alcohol had not considered its plea for generally is increasing in a tax allowance to take account Britain, several alcohol pra- of the lengthy period for which ducers, notably in the Scotch whisky stocks have to be kept.

## Better chance of hitting target

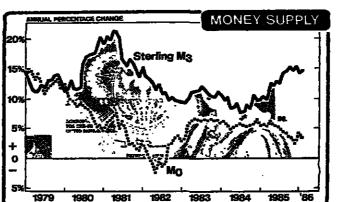
BY SETTING a much higher range for Sterling M3, the Chan-cellor has improved his chances of hitting his target for the growth of broad money. He will have a harder task, however, in convincing the financial markets that this new

and very wide range can have much effect in maintaining downwards pressure on inflation. The Government's narrow money target, M0, which consists mainly of banknotes and coin, has never had much credibility in the markets as an indicator of monetary condi-

Sterling M3, which adds bank balances and interest-bearing deposits to M0, has previously commanded much wider support. Its recent behaviour, has been more erratic and led to its suspension as a formal monetary target in Mr Lawson's Mansion House speech last October.

new £M3 target announced yesterday, however, has come under immediate attack from monetarists and non-monetarists alike. Critics say that not only does it set a very high range of growth but it sets it for one year only—not much of a medium-term finan-cial strategy.

Measures of broad money have persistently grown faster than narrower aggregates over the past six years as changes in the past six years as changes in altered the way in which their



decline in the speed at which goal of maintaining downwards

£M3 circulates in the economy.

At the same time, the velocity of circulation of MO has been increasing as such things as credit cards have reduced the use of cash. These velocity changes have made

Money supply GEORGE GRAHAM

£M3s growth rate look higherand MO's lower—than had been planned in the Government's Term Financial Medium

The new target range for £M3 growth in 1986-87 is 11 per cent to 15 per cent compared with the target of 4 per cent to 8 per cent published in last year's Budget. Growth in the 12 months to mid-February was 14.75 per cent-at the top end of next year's range. No target is set for £M3 in future years "because the uncertainties sur-rounding its velocity trend are at present too great.

pressure on the growth of money GDP and so on inflation.

Mr Gavyn Davies, chief economist at Simon & Coates the stockbroking firm, does not feel that this represents an adequate monetary target.

In his Budget speech, the He said: "The target range Chancellor argued that the rise of 11 to 15 per cent looks totally He said: "The target range altered the way in which their components are used by the public.

Competition between the banks and the building societies banks and the building societies because as given in the banks and the building societies because as given in the banks and the building societies because as given in the banks and the building societies because as given in the banks and the building societies because as given in the banks and the building societies because as given in the banks and the building societies because it does much more than allow for the velocity change, and because a Medium the current multi-banks and the building societies because it does much more than allow for the velocity change, and because a Medium the current multi-banks and the building societies because it does much more than allow for the velocity change, and because a Medium the current multi-banks and the building societies because it does much more than allow for the velocity change, and because a Medium the current multi-banks and the building societies because it does much more than allow for the velocity change, and because a Medium the current multi-banks and the building societies because it does much more than allow for the velocity change, and because a Medium the current multi-banks and the building societies because it does much more than allow for the velocity change, and because a Medium the current multi-banks and the building societies because it does much more than allow for the velocity change, and because as Medium the current multi-banks and the building societies because it does much more than allow for the velocity change, and because as Medium the current multi-banks and the building societies between the current multi-banks and the buil

## **Exemptions will halve tax bills**

BRITAIN'S charities will save educational or fund-raising purabout half their VAT bills— poses. VAT was introduced on which total more than £20m a year — following the Chancellor's statement that from April 1 VAT zero-rating will be Society last Christmas abancellor's several services of the point out how far the UK in participating schemes will be still lags behind the US. Mr able to get tax relief on donations of up to £100 a year. Mencap, the charity for the Depending on the response to the mentally handicapped, said that tax avertanged to several services done its advertising because extended to several services provided by charities.

The Chancellor also announced measures to encourage charitable giving, including relief for single donations by companies and introducing a scheme for tax relief for donations by em-ployees under "payroll giving"

It was the VAT relief, however, which provoked most delight among Britain's charities. Since 1981 the Charities VAT Reform Group, with all-party support, has conducted a strong campaign for VAT

Yesterday's announcement is the first acknowledgement of their efforts and Mr Tim Yeo, MP, a former director of the Spastics Society and chairman of the VAT Reform Group, said: "This is a considerable triumph."

The group had specifically lobbied for the abolition of VAT on medical products supplied estimates are more const to a charity and on non- at £5m to £10m a year. classified advertising placed in While charities w

doned its advertising because it could not afford the £15,750 VAT bill.

Britain's top 18 charities The Chancellor announced spend more than £2.5m a year three types of tax relief. In the

LISA WOOD

**Charities** 

on print advertising and the zero-rating is estimated to save them £400,000. Other zero-ratings to be introduced by the Chancellor include that on sound recording equipment used by charities caring for the blind. This move will save the

changes would cost more than the payments which the charity £10m a year in 1986-87. However, the VAT Reform Group's In addition there will be a

past companies have only been allowed tax relief on covenanted giving over four years. From April 1 companies will be able to claim tax relief for one-off gifts to charities. The relief

equal to 3 per cent of the ordinary dividends paid by the com-Secondly the Government will remove the present annual limit of £10,000 on the amount of payable through the deeds of cov-enant for which an individual Royal National Institute for the Blind's Talking Newspaper more than £100,000 a year.

The Government said the VAT

estimates are more conservative, new scheme, from April 1987 in the US. It was at 55m to 510m a year.

While charities welcomed make donations to charity charities in Brithe Chancellor's measures to through deductions from their them work here.

corporate giving in the UK recepits in 1987-88 will be reamounted to millions while in the US it was billions.

Present rules for charitable

Present rules for charitable giving can be abused and the Inland Revenue said yesterday that arrangements to curtail abuse would be announced in the Finance Bill with the aim of saving the Exchequer £20m

Sir John Cox, director of the Spastics Society, said: "We have a better chance of getting money from this Budget than will be on gifts up to a maximum we have had in those of the past five years." He described the idea of payroll deduction as "exciting" and said tax relief on gifts by companies of up to a maximum equal to 3 per cent of their ordinary dividend as "very good." Most companies, he said, did not give 1 per cent. Mr John Mayo, director general of Help the Aged, commenting on the same measures said: "Both systems work well in the US. It will be a challenge and opportunity for charities in Britain to make

## Hope of extra £10m a year for the arts

benefit from the incentives the Chancellor announced to encourage charitable donations from companies and individuals.

This is in line with the Government's long-term intention to build up corporate sponsor-ship of the arts to balance its own funding through the Arts Council. Corporate sponsorship has grown from around £600,000 to £20m a year in the past decade. The Arts Council estimated that the new measures could increase spending on the

arts by at least £5m a year. Mr Colin Tweedy, of the Association for Business Association for Business Sponsorship of the Arts, which

if they give the money to an arts organisation which is registered as a charity. The relief is less than the 5 per cent on pretax profits sought by the association but it marks a significant breakthrough. According to Mr Tweedy, the traditional method of supporting the arts through four-year covenants will fade away.

MOST arts organisations are with the sum appreciating private charitable giving to the registered charities and thus rapidly in the future. an upper limit on individual convenants should also help considerably.

The thrust of the changes is

**ANTONY THORNCROFT** 

a year so long as these are made directly from pay via employers. Sibn a year from companies "This opens the door to enter- and much more from indivi-

Even so ABSA will now have a much easier task in persuading companies to support arts organisations and events, and to encourage existing sponsors to bring arts funding in the UK
closer to the US pattern where
to bring arts funding in the UK
the innovation, but, along with
its clients, will be concerned to spend up to the 3 per cent.

## **Benefit** focused on lower paid

THE CHANCELLOR chose in 1985 to increase personal allowances by 5 per cent more than inflation. This year, he has favoured a cut in the basic rate of income tax to 29 per cent and has increased allowances merely by the amount needed to keep pace with inflation. His longterm aim, like Sir Geoffrey Howe before him, is a basic rate of 25 per cent.

To weight the benefit of the 1 per cent reduction in favour levels, the thresholds for higher rate taxpayers are increased by less than that required to com-pensate for inflation. Thus, the threshold for a 50 per cent tax-payer rises to £25,400, instead of £25,900, and for a 60 per cent taxpayer to £41,200, instead of

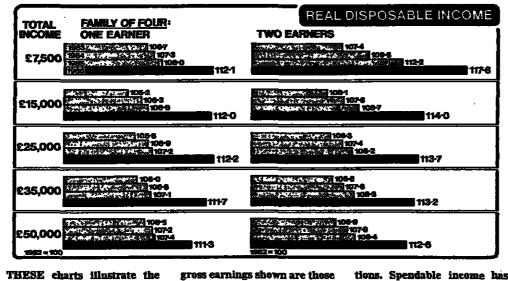
There is also no corresponding 1 per cent reduction in the higher rates of tax and at the £17,200 level, the gap between

> **Income Tax** MALCOLM GAMMIE AND FRANCES CURRIE

the basic rate and the first higher rate becomes a substantial 11 per cent. The full benefit of the 1 per cent basic rate reduction is £172 and the cost of failing to index fully the higher rate thresholds is £160: a higher rate taxpayer is always

For individuals in employment, changes in National Insurance dominated the personal tax scene last year. The Chancellor made no proposals for change in 1986 and has taken no further steps, beyond those announced last November, to increase the upper earnings

imit. Disposable income has been For 1986/87 this limit is set calculated after income tax and



THESE charts illustrate the comparative increase in spending power of families with selected levels of income. At each level of income child benefit for two children has been included. The second income is assumed to be £2,750 throughout. The levels of

at £285 per week (£14,820 per annum) and it has been those earning at around the upper earnings limit who have done least well in terms of increase in real disposable income.

Had the Chancellor this year used the £950m it cost to reduce the basic rate instead to overindex allowances, those at the £15,000 level would again have done relatively least well. The effect of the 1 per cent reducironed out.

The charts illustrate the relative change in disposable income at five income levels since 1982 and offer a comparison between the family with two children, but only one earner, and a similar family where both parents work. It is assumed that pay over the period has risen in line with

increases in average earnings. The chart accordingly reflects the fact that average earnings (and therefore dis-posable income) have increased more quickly than inflation.

and the second second of the second second

gross earnings shown are those for 1986-87. Disposable income in earlier years has been calculated by adjusting back these earnings in line with changes in average earnings and deducting income tax and

National Insurance contri-butions have been deducted and child benefit added. The resulting amount has been adjusted for inflation to demonstrate the real spending power of the net income available to the family in each year.

A reduction in the basic rate has a number of knock-on effects within the tax system: the value of covenants to chari-ties and others alike is reduced tion is, however, to concentrate by 1 per cent. Mortgage in-the maximum relief on those at terest payments under the the upper end of the basic rate MIRAS scheme will rise to reband. This is illustrated in the flect tax relief at 29 per cent charts, where the dip that rather than 30 per cent and the occurred at this level has been rate of advance corporation tax on dividends is also reduced.

> A reduction in the basic rate has a number of knock on effects within the tax system. Payments made under deduc-tion of basic rate tax, such as rent paid abroad or interest payments made by companies will now be subject to a lower level of deduction. In particular, the value of covenants to charities and for example, by grandparents in favour of their grandchildren, will be reduced as the tax repayment given to the recipient will fall from 30

> expressed in terms of the gross

to 29 per cent. Those whose covenants are

in interest rates later in the The advance corporation tax payable by a company on its dividends is also reduced from 3-7ths to 29-71sts, providing a shareholder with a tax credit reflecting his reduced basic

then been restated at its March 1986 value, taking

account of changes in the

Retail Price Index. No allow-

ance has been made for tax

relief on mortgage interest or pension contributions.

payment (rather than a net

sum after deduction of tax) must from April 6 adjust the

amount of tax they deduct from

Of more general interest

mortgage interest payments under the MIRAS scheme will

rise to reflect that tax relief is

only being given at 29 per cent.

The effect of such a change may, however, be masked by a fall

the payment.

rate tax liability. For a company paying the full 35 per cent corporation tax rate after March this year, an incidental effect of this is to increase from 5 per cent to 6 per cent the amount of tax ultimately borne by the company which it cannot pass to its shareholders. A company with profits of £100,000 or less can still however, pass to its shareholders a credit for the full amount of tax it pays as the corporation tax rate on such companies is reduced to 29 per

Companies will be able to obtain tax relief on up to 3 per cent of their dividend payments

conducted a successful lobbying prising arts companies to begin duals. The incentives announcampaign for charitable tax to build a new source of ced yesterday, however, are relief, said that the arts could gain as much as £10m a year. At the moment there is little in the US.

The arts

most finance comes from cor-The changes allow individuals porations and individuals tax relief on gifts of up to £100 rather than governments. In

that it is not used as an excuse by the Government to cut its own expenditure on the arts. Mr Richard Luce, the Arts Minister, who must take credit for the reform, has often stated that the arts must look for extra revenue to sources other than the Government. The arts will also gain from the abolition of VAT on its

advertising. Theatres, orchestras, arts centres and the Arts Council itself are quite significant display advertisers and this will be a welcome saving.

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## A boost for the risk takers

YESTERDAY'S changes to the said: "These changes will Business Expansion Scheme encourage more investment in were greeted with load productive industry."

applicate, by small business lobbyists, by estern groups and professional advisers alike.

benefit the London Enterprise Agency, which provides small businesses The reforms will make it much harder for heavily asset backed companies to make use of the scheme, which enables their top marginal rate of income tax on investments in much marginal rate of income tax on investments in their top marginal rate of income tax on investments in their top marginal rate of income tax on investments in the really set the BES was shown yesterday to be a highly successful Business. income tax on investments in unquoted companies up to \$40,000 per annum.

Moreover, the lifting of expital gains tax on the first dispersal of shares in BES comfirm. However, the report firm. However, the report in the property of the report in the repor disposal of shares in BES comfirm. However, the report, which covers the scheme's first year in 1983-84, also demonstrated panies issuing equity after extra attraction for investors.

Mr David Trippier, minister for small firms, said: "I warmly welcome the fact that he has lifted CGT for the scheme."

The move will also, say some physicary, make it was some

reputation in recent years.

THE GOVERNMENT'S move to breathe new life into the Loan Guarantee Scheme was yesterday given a warm welcome by small business groups. The scheme has not only been extended for three years but the premium payable over the banks' own interest rate has been reduced from 5 per cent to 2½ per cent.

We are delighted to see the

LGS extended, and the reduc-tion in the premium should make a real difference to our

members," a spokesman from the National Federation of Self Employed and Small Businesses and Small Businesses

The scheme, under which the

Government guarantees 70 per cent of qualifying bank loans to small businesses, was introduced in 1981 and has been a major plank in the Government's consultations of the consul

to 21 per cent

THE GOVERNMENT'S move to can sell."

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more comments the Charles the Charles the second the Charles the second the Charles the Ch

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strates clearly that the growth in popularity of secure ventures which could have raised normal commercial finance was damagwhich could have raised normal commercial finance was damaging the smallest and riskiest companies' chances of attracting funds.

Mr Lawson moved yesterday to desiroy many of the sources of those anxieties. The extent of his reforms were unexpected since most observers heliaged. observers, make it more attractive for people to invest in riskier ventures with higher performance patential than the asset-backed proposals which have damaged the scheme's since most observers believed that any radical changes would

A new life for the loan scheme

Smail

business

LUCY KELLAWAY

entire Ioan. Since June 1981

-until yesterday's widely to retailers. The changes take welcomed decision to make it place for shares issued from permanent.

The door was slammed firmly against asset-backed ventures with Mr Lawson's ruling that

> expansion scheme WILLIAM DAWKINS

the scheme, except for the first £50,000 of share capital issued BES relief is also to be denied to investors in companies which do not actively try to sell goods held as invest-Hr Michael Grylls, chairman not come until next year when ments. The same applies to the Small Business Bureau, the BES was due to run out wholesalers which do not sell

than having to wait until the next Budget. A less important change but one which still meets an often heard criticism of the scheme, permits BES companies to have overseas subsidiaries. This will benefit fast-growing, high tech-nology ventures which need to nesses from 30 per cent to 29

us. It's a perfectly reasonable

Meanwhile, the scheme is

being opened up to British ship

of intense lobbying by shipping groups which felt they had been

left out of the scheme unfairly.

Another important change —

and one that meets a criticism

of the BES voiced in the Peat

Marwick report — is that changes to the rules can noy

be made through statutory instrument. This means that

abuses can now be stopped as frequently as they arise, rather

operate in foreign markets.
Wide ranging though yesterday's reforms to the BES might be, several widely-sought changes have been left out. Company proprietors will from now on be allowed to take share options without losing tax relief

This omission was mourned yesterday both by the Con-federation of British Industry and the Association of Independent Businesses. The favourable

received from Peat Marwick in spite of the concerns within unincorporated businesses would be taxed at corporation tax rates not at the higher rates of personal income tax.

"We had hoped this would be a radical budget for small husinesses to the study. Its popularity was further underlined with yesterday's release of Inland Revenue figures showing that 688 companies raised £156m under the program of the study.

Mr Charles Fry, chairman of Johnson Fry, the licensed securities dealer which specialises in promoting asset-backed schemes, was undis-mayed by the crackdown.

"The ruling on 50 per cent of net assets does not worry 1**8**% concept, bearing in mind that most BES investors get 50 per cent tax relief in the first place," he said.

later barred from the BES-could not have been raised as equity without the scheme. The 1983-84 companies produced 4,000 extra jobs and about £100m in additional turnover within charterers so long as the charters do not run for more than a year. This is a result within a year of getting BES investment

> It also suggests that the BES has helped entrepreneurs to raise small sums below the level normally handled by City insti-tutions. About one-third of the tutions. About one-third of the 120 companies surveyed by Peat Marwick raised £50,000 each, as against 50 per cent for the scheme as a whole, although they accounted for only 3 per cent of the total amount raised by the cample. by the sample.

The survey also points out that BES funds, which invest in a spread of companies and represent nearly 40 per cent of BES investment, are still not active below £150,000.

The main concern highlighted The main concern highlighted by the report was that a trend since 1983-84 towards less risky investments might draw money away from BES funds seeking to provide a balanced portfolio and so make life barder for those ventures the BES was intended to support BES was intended to support.

The report says the shift corresponds with a tendency towards making larger investments - and this can have a dramatic impact on the cost of the scheme to the Inland Revenue. The 4,000 jobs produced by

A minimum shareholder allothe 1983-84 ventures each cost on average between £8,000 and £13,000 in terms of tax relief. But that rises sharply to £81,000 for proposals raising £1m — the average investment in Peat Marwick's companies

Other losses, investments and extraordinary items are then also deducted from the pre-tax profit and the net amount left for distribution is split, half going to employees and half to shareholders.

Many schemes are a good deal less generous, however, than The report makes no attempt The report makes no attempt cost for the more ambitious property development groups—one of which raised £10m—which were thrown out of the scheme in the 1985 Budget.

However, Peat Marwick's arithmetic alone was enough to give the Chancellor a compelling reason to shut asset.

less generous, however, than an equal split of profits remaining. The Ford Motor company in the US, for example, set up a scheme into which it planned to the state of the sta pelling reason to shut asset-backed schemes as firmly out of to pay a maximum 15 per cent

Changes mooted in pay, performance relationship

FAR-REACHING changes to the of US pre-tax profits in years relationship between employees, in which it made at least a 6.9 their levels of pay and the performance of their companies were mooted by the Chancellor.

Having introduced, and then achieve 23 per cent return.

The distribution can be sailed in the second of all US pre-tax profits to the second of all US pre-tax profits to the second of the second of their company pays out more than 20 per cent of all US pre-tax profits to the second of th intends to discuss with employers ways of introducing full profitsharing schemes, already widespread in countries such as the US, Japan, West Germany and in Scandinavia but still rare in Britain—one notable exception is the John Lewis Partnership of the still rare in Britain—one notable exception is the John Lewis Partnership of the employee's particular company and part reflects

Lewis Partnership in a group of companies so that workers several thousand dollars in cash each year. The company and part reflects workforce.

Profit

The oldest continuous than 20 per cent of all US pre-tax profits to its US workforce, giving workers several thousand dollars in cash each year. The company and part reflects workforce.

The oldest continuous than 20 per cent of all US pre-tax profits to its US workforce, giving workers several thousand workers are continuous full profits the performance of the employee's particular company and part reflects

Profit

The oldest continuous than 20 per cent of all US pre-tax profits to its US workforce, giving workers several thousand workers are continuous full profits the performance of the employee's particular company and part reflects

Profit

Profit

The schemes offer two main attractions: motivation of the

notable exception is the John Lewis Partnership.

When demand falls and When demand falls and business temporarily tails off profit-linked payment systems mean there is less pressure to make people redundant than when rigid wage structures mean overheads cannot be substantially cut. This has been especially important in Japan where the paternalistic nature of much industrial employment is expected to offer secure. is expected to offer secure. almost guaranteed, employment.

There is a variety of types of profit-sharing schemes. Some are direct and pay a share of the profits as a lump sum or as an addition to wages, based on the company's annual results.
Others, such as deferred schemes stack up accrued profit rights towards retirement and pension entitlements.

A simple and typical direct scheme, with substantial indus-trial democracy, would share increases in real profit equally between employees and share-

cation is used to ensure that the shareholders' real share of pretax profits is maintained. Once this amount has been set it is indexed annually against, say, the retail price index.

ROBIN PAULEY

attractions: mouvation of the whole workforce and increased flexibility for employers in patterns group. Limits can be put on the maximum amount of indicates vidual gain in a year—25 per cent of 33 per cent of salary, for example.

This works well for employees in years of high profitability. When times are harder and margins are squeezed, the share-holders' interests are protected first through the minimum shareholder return which has to be achieved before employees can take out any profits.

However, employees have the additional protection of contiming to negotiate an annual non-profit-related pay increase with employers, usually based on, and settling around, the rate of inflation.

The rub for employees comes when companies start to do really badly and turn in losses. The cost of staying on the payrol then involves a sense of corporate identity strong enough to take a real pay cut and share in the company's misfortunes.

There have been numerous examples of these sort of arrangements in the US where more than a quarter of all employees — more than 20m workers—are in profit-sharing plans, quite apart from stock ownership plans equivalent to Britain's Save as You Earn share ownership plans.

to 115 per cent were recorded in, for example, the trucking

Roebuck and Johnson Wax all have schemes going back to 1910-1920

The Japanese and Europeans have been slower in taking up the scheme. Leading profit sharers include Hotel Plaza Athenee of France, YKK Manufacturing of Japan, Svenska Handelsbanken of Sweden and Nestle of Switzerland.

The West Germans in particular have taken the ideas further in some companies where they are part of wider worker democracy to the extent of involvement in the full management procedures through the "mitbestimmung" schemes.

The schemes have become so important in Japan that the "flexible compensation programme" is now the norm; base wages are very modest throughout Japanese industry and are topped up twice a year, through cash profit-sharing bonuses which usually amount to be tweeters. to between two and eight months' pay.

This gives substantial income in good years but low total income in bad years while enabling the companies to continue employing more or less the entire workforce.

In recession the Japanese cut compensation while the British practice has been to cut jobs. In a recent report on Japan, the Paris-based Organisation of Economic Co-operation and Development noted very low rise in wages.

In the early 1980s both
Eastern Airlines and Braniff International created profitand loss-sharing plans which, in addition to requiring pay cuts, set bands so that employees could receive between 90 per cent and 110 per cent of their normal pay, according to the state of the company's balance sheet.

"In addition, bonus payments rose by over 5 per cent owing to the better corporate profitability. Consequently total cash will your costs in manufacturing," it Wider spreads of 85 per cent said.

### of the importance of the small generation to another. firms sector. At last we have The reduction in the a Loan Guarantee Scheme we Corporation Tax on sm Abolition of tax is the culmination of a gradual trend

the tax, the Chancellor has decided that it is now to be known as Inheritance Tax. Strictly speaking, Estate Duty might have been more accurate. The new tax will be borne by the estate of the decease

on the old tax.

Just like estate duty, the new tax will be levied on the aggregate of a person's estate and all gifts which he makes during the seven years preced-ing death. Also as before, there will be a tapered reduction in tax payable on transfers

Capital taxation DAYID COHEN

prson rather than by his or her heirs. Similarities with the old estate duty abound and venerable lawyers will no doubt be dusting down neglected tomes

between three and seven years before death; gifts within three years of death will be taxed in full, as they have been under

THE ABOLITION of capital transfer tax on lifetime gifts is to be a lifetime charge—at half both radical and unexpected. Yet a look at previous Tory budgets since 1979 shows it to be the culmination of a gradual but onsistent trend away from the idea of a comprehensive gifts tax and back firmly in the direction of CIT's predecessor, Estate Duty, the so-called "voluntary" tax. In recognition of the fundamental change in the nature of pitfalls involved in lifetime generosity.

generosity. Where the donor of an asset continues to obtain some benefit from the asset after he has given it away, the asset will be deemed to remain his property until the date at which the benefit ceases. The asset concerned will be taxed on its has best
value at that time. Obvious developm
examples are a home owner affected,
who transfers his property to
his children but carries on geot-Tall
living there or a shareholder
who gives away his shares but Britain.
The series of the control of

retains voting rights over them. Another anti-avoidance measure prevents the artificial manufacture of debts as a means of reducing a deceased person's estate. Certain estate debts will be disregarded for Inheritance Tax purposes if the person to whom the debt is owed had received gifts from the deceased or if the debt was

not incurred for full value. Where a gift with reservation is made to a trust or a com-pany there will also be a tax charge at the date of gift though credit will be given for the CTT rules until now. this when the full tax charge However, a significant differarises on the donor's death.

He pointed out that the 2.5 per cent, in line with the drop per cent premium on the 70 per cent of the loan was equivalent in the basic rate of income tax, is expected to have little effect. to only 1.75 per cent on the It falls well short of demands for a new lower bottom hand of tax for small business at 20 The increase in the VAT

The increase in the VAT options without losing tax reuer theashold by no more than the rate of inflation will also be seen as a disappointment by many small businesses. They had asked the Chancellor for a rise in the threshold from the second to see the second to second t £19,500 to £50,000.

the LGS has helped nearly 17,000 businesses raise money. The Budget changes to Capital Transfer Tax will also Doubts remained yesterday have an important effect on gone far enough to make life small businesses and go a long easier for small businesses. Independent from the Union of the life costs cut further. There were that the chalities of the life small businesses. whether the Government had easier for small businesses.

Some would like to see the LGS might have had something to extended indefinitely and its costs cut further. There were like horses that are the larger than the costs cut further are the costs cut further. major plank in the Government's small business policy. Independent Companies said Higher than expected losses, that the abolition of the life-time gifts tax would "enable take the premium, thereby making it less attractive to to pass their shares to the next users and encouraging fears generation of managers without complicated tax planning." He said that CTT at the moment

Mr David Trippler, small said that CTT at the moment farms minister, said yesterday: encouraged many companies to "I am a happy man. The Budget is a clear recognition be passed down from one "We had hoped this would be a radical budget for small businesses," said a spokesman from the Association of Independent businesses, "but we are slightly disappointed. There have been disappointed to be a special to be a s

### The reduction in the rate of no radical job creating schemes Corporation Tax on small busifor our members." invested in 1983-84 except for **Producers welcome**

FORD AND Austin Rover, BL's volume car subsidiary, last night welcomed the Chancellor's decision to change company-car taxation rules so that from next April engine-size breakpoints will be 1,400 cc and 2,000 cc. This will bring breakpoints into line with proposed EEC carexhaust emission regulations. exhaust emission regulations.
Without the change the com-

Vehicle taxation

12 months.

## More freedom for employers

get money out of their company pension scheme when it has a substantial surplus without a substantial surplus without negotiating with the Inland Revenue as a result of the chancellor's proposals. But the basis and the assumptions they will have to pay a tax of 40 per cent on the refund, irrespective of their company's tax position.

Indeed, the new proposals will stop pension schemes build-

will stop pension schemes building up substantial surpluses, since they will be obliged to check the situation regularly and take remedial action. Occupational

schemes are currently in a sound financial position thanks to buoyant stock markets, worldwide, lower than expected salary and earnings increases and reductions in the numbers of members of schemes through redundancies
This actuarial freedom has re-

sulted in considerable differences of opinion between actuaries over the size of the current • Increase benefits up

ing the liabilities on the years.

"projected unit credit" method Make a refund to the and prudent assumptions determined on the advice of the However, if the first two

The Revenue will shortly be

Pension funds

5 per cent of the value of the liabilities, the trustees will be required to reduce the surplus to at least this level. But now the trustees have a free hand in how they reduce any excess surplus without pro-tected negotiations with the Revenue. They can;

ERIC SHORT

Revenue limits.

However, if the first two methods still do not bring the

ents. The trustee will deduct growing and any asset realisa-tion has to be reinvested. Revenue. Revenue.

The new system will provide issuing detailed guidelines on the basis and the assumptions against the present cost of tax that will include the method relief to pensions, from income tax on increased pension benefits to employees, the tax on employees' earnings and com-pany profits saved from the pany profits saved from the contribution holiday and tax on the refunds. The proposals will result in extra in revenue for the Chancellor. This will arise from income tax on higher pensions, tax on employee earnings and company profits which have been boosted by the contribubeen boosted by the contribu-tions holiday, and tax on the

refunds. The Chancellor's proposals are intended to clear up the current uncertain position and prevent pension schemes using their favourable tax situation to

build up surpluses. The surplus in a pension scheme represents the excess of the value of the scheme's So in future, actuaries will determine the surplus on a standard valuation basis, valuing the liabilities on the specific standard valuation basis, valuing the liabilities on the standard valuation basis, valuing the liabilities and valuation basis, valuing the liabilities and valuation basis, valuing the liabilities on the value both the liabilities and valuation basis, valuing the liabilities on the standard valuation basis, valuing the liabilities of the standard valuation belong the liabilities of the standard valuation belong the standard valuation belong the liabilities of the standard valuation belong the standar the assets.

At present, actuaries are free and prudent assumptions determined on the advice of the Government Actuary.

The proposed actuarial basis is a very conservative one, which takes into account the pension benefits acquired to date by employees allowing for future salary increases up to retirement. It is still the basis, with minor variations, commonly used by actuaries.

The statement from the Revenue makes no reference to the valuation of assets. Many actuaries do not use market values. Instead they discount the expected income returns on the assets, largely ignoring capital profits and the ground. to use their professional judgment in their valuation of

## Direct challenge on petrol price

Oil

equivalent to 7.5p on the price of a gallon of four-star was only about 2p more than needed

people in the industry feared might have been imposed to compensate for the management to

MAX WILKINSON

"If US entertainers get set
UK tax against their US tax
bill there will not be such a
problem. But a lot of American
entertainers structure their
affairs so that they have in
effect non-profit corporations.
They will not be able to use
The rise in petrol duty

any UK tax credits."

THE CHANCELLOR may have
given the oil companies to absorb
to the oil companies to absorb
the increase, including the inflationary element. He said
that although petrol prices at
the pump had fallen by 15p
since November they could
have fallen a further 12p if the
oil companies had brought
mask the effect
modest increase, i
altogether.

Prices now b

This is broadly in line with the estimates of independent analysts based on the fairly rapid fall in the price of petrol cargoes on the Rotterdam spot market and taking account of the fact that more than half of the pump price of petrol repre-Sents tax.

that oil companies could break Nevertheless, Mr Lawson compared with the average of creases

However, the Chancellor has

shrewdly calculated that the re-vival of competitive forces in the petrol market is likely to mask the effect of his fairly modest increase, if not offset it

Prices now being charged vary from less than 160p per gallon to about 180p in parts of the country with quite sharp changes between petrol stations even a few miles apart. The difference in prices seen on one journey may therefore be more than equal to the total amount

Chancellor, Moreover, a change in the way that petrol and diesel duties are levied will make an that oil companies could break important psychological dif-even at a pump price of 160p, ference to the timing of in-

### SHIPPING

Publication date: May 2 1986 Advertisement copy date: April 18 1986 The Financial Times proposes to publish this Survey on the above date. The provisional editorial synopsis is set out below:

- 1. INTRODUCTION FINANCE
- CONTAINERS
- TANKERS 5. BULK CARRIERS
- PASSENGER SHIPS
- 7. SHIPBUILDING 8. SPECIALISED CARGO

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

## company car move

panies would have faced extra costs to develop power units to suit demand in the UK—where suit demand in the UN-where current engine-size breakpoints push company-fleet buyers into cars with engine capacities of just under 1,300 cc or 1,800 cc scale charges by more than 9 per cent.

thental markets.

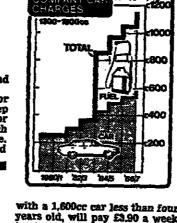
The Society of Motor Manufacturers and Traders advocated the change even though only Austin Rover and Ford, which has based most of its engine development in the UK, are affected. General Motors, the Vauxhall-Opel group, and Peuge engines for the cars they sell in Britain.

The society said last night that if the Government had not have faced increased costs and reduced exports and employment.

If was fare less happy about the Chancellor's decision to great the company about the Chancellor's decision to five experts and the Chancellor's decision to five experts was caused by the restructuring of the Scale charges by more than 10 per cent in most cases. The Road Haulage Association is in the 1,800cc to 2,000cc bands would actually attract reduced would actually attract reduced the cars they sell in the Listocc and the Chancellor's decision to five experts will government statistics which showed average earnings to be £10,005 a year.

The Inland Revenue said the proposed steep jump in charges was caused by the restructuring of the scale for the change in the 1,800cc to 2,000cc and the 1,800cc to 2,000cc and the first of the charges by more than 10 per cent in most cases. The Road Haulage Association is statistics which showed average earnings to be £10,005 a year.

The Inland Revenue said the proposed steep jump in charges was caused by the restructuring of the scale for the change in the 1,800cc to 1,400cc and the 1,800cc to 2,000cc and t



was £235,000.

the BES as he did.

with a 1,600cc car less than four years old, will pay £3.90 a week in tax in 1987-88, compared with £3.32 a week in the past

The 10 per cent general rise to car-benefit scales will not apply to car-fuel benefits. These

## Promoters warn of price rises

possible reduction in the flow make a great deal of difference. Our business has already been sportsmen to the UK were forecast yesterday by leading promoters in response to the Inland Revenue's plan to catch them in the IIK tax not. the UK tax net.

The Chancellor announced the introduction of withholding tax, at the basic rate of 29 per cent, on the UK earnings of overseas sportsmen and entertainers. This is expected to bring in £75m in 1987-88 and £100m in a full

year.
"Boxers will say: 'This is what I expect to earn so you have got to put prices up to balance tax," said Mr Mike Barrett, of Barrett Duff, promoters of the recent heavyweight fight between Frank Bruno of the UK and Gerry Coetzee of South Africa. "In the past US boxers—and the US is where the main supply comes from—have not paid tax

here but they have paid it in

Foreign

entertainers CHARLES BATCHELOR

Mr Barry Clayman, a director of collecting its due. At present, of Management Agency and it believes many artists on Music, which promotes artists short-term tours simply evade

Mr Harvey Goldsmith, promoter of stars such as Bruce Springsteen and David Bowle, commented: "I am not very thrilled at becoming an unpaid tax collector. This is basically a tit for tat move against the IIS.

position of VAT on theatre tickets.

"Artists can't earn the sort of money in Britain that they can in the US. Already there is not the number of foreign organisers to deduct tax from entaintainess there used to be. entertainers there used to be, the payments they make to They are cutting down on the artists or sportsmen the length of tours."

Revenue will be reasonably sure

such as Shirley Bassey and Neil UK tax.
Diamond, sald: "I can only The Re The Revenue believes at least Diamond, said: "I can only The Revenue believes at least to keep pace with inflation. It think this will deter people one-third of the 275m tax take was much less than the increase the US. It will mean, as I see from coming here. The tax-will come from preventing of about 15p of it, an increase in ticket prices. man might even lose revenue. evasion. Two-thirds will come people in the The extra cost will be met by An awful lot of American from Britain sharing in the tax might have be the paying public," he added. artists don't need to come to payments currently made by compensate for this country. They will stay in performers to their domestic tax in oil prices. Nevertheles from coming here. The tax-will come from preventing of about 15p or so which some man might even lose revenue. evasion. Two-thirds will come people in the industry feared an awful lot of American from Britain sharing in the tax might have been imposed to artists don't need to come to payments currently made by compensate for the general fall

### **FINANCIAL TIMES**

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Wednesday March 19 1986

## A supply-side mini-budget

one of the artistic fashions of the moment, is a very able minimalist. Given hardly any room for fiscal adjustment, he has contrived a penny cut in income tax to catch the headlines, partly financed with a small claw-back from the highly paid, and offered a glimpse of a new vision of a profit-sharing democracy. If he has a strategy, it is to lay increasing stress on supply-side measures, aimed above all to improve the workings of the labour market. The medium term financial strategy is rhetorically intact, but becoming steadily vaguer in becoming steadily vaguer in operational terms. There is a modest package of measures affecting the City which appear ill-considered, some controversial but still green proposals for the reform of personal taxas. for the reform of personal taxa-tion, and barely a passing men-tion for industry's exchange rate worries. Not so much a curate's egg as a Chinese meal of a Budget, with some tempting flavours, some less so, and unlikely to satisfy the appetite. The most important proposal, in its long-term potential, is

still in the future: Mr Lawson will discuss with industry how he might encourage effective schemes to encourage profit-sharing as an element in industrial rewards. snaring as an element in industrial rewards. As Japanese experience has shown, profit-sharing has enormous potential in encouraging constructive industrial relations, and in enabling industry to adapt to changing cyclical and competitive conditions by allowing rewards to fall in line with market returns, rather than sacking ket returns, rather than sacking

industrial relations climate is by now ripe for such a development, and—just as important—non-oil industry now has some worthwhile profits to share. The forecast return on non-oil investment for 1986 is some two-and-a-half times its low point in 1981, and nearly back to the levels of the mid-1960s. The workforce is at present claiming its share of the radically improved cash flow through excessive wage in-creases, too readily conceded. It sad that the Chancellor has had to take the initiative here industry should be taking the lead, not waiting for bribes.

Most of the Chancello more immediate measures are blanks in the Budget—to welcome as far as they go, but explain how Sterling M3 can welcome as far as they go, but are likely to earn higher marks for political acumen than for economic sophistication. The cut in income tax, combined with under-indexation of the higher rate bands, is both welcome and ingenious—and will just about leave the average smoking wage-earner back where he started. The scheme to allow individuals to accumulate a personal retirement fund Monetary System. Industry has in a tax-free portfolio should stated a case which deserves an

MR NIGEL LAWSON, following ownership, and has the great one of the artistic fashions of advantage to the Treasury that its revenue cost will only build up over a long period of years.
The abolition of tax on gifts
inter vivos, after all the previous nibbles at Capital Transfer Tax, was virtually a
tidying-up operation.

If there is a strategy at work

If there is a strategy at work here, however, it is undeclared. Mr Lawson seems to move inch by haphazard inch towards an expenditure tax, a principle he has explicitly rejected, but there is still a very long way to go. Meanwhile we do not have even the routine commitment to fiscal neutrality, and indeed in its modest way this is an interventionist Budget, not a neutral one, encouraging profit-sharing, charity and employment discouraging profits and employment discouraging profits and employment discouraging profits and employment discouraging profits and employment discouraging and the state of the stat profit-sharing, charity and employment, discouraging smoking.
So far, so good: but if most voters will be pleasantly surprised, three groups will be less happy—the poor, the professional economists and the financiers. The poor get nothing at all, except those of the unemployed for whom jobs may now be created. Mr Lawson has been admirably frank in the past

admirably frank in the past about the scandal of the poverty

trap, which leaves little or no incentive to work at low pay levels. It is sad that he has let

a year pass without doing some-thing, however modest, to

Protectionism

The financiers will simply be annoyed. They were resigned to paying for the abolition of stamp duty, but to be left with half of it, with the attempt to collect duty on whole new classes of transactions—some of which are virtually untraceable, and others which will simply go off--looks plain ham-fisted. The 5 per cent duty on the transfer of securities to authorworse—it is more or less naked financial protectionism. It is neither logical nor neighbourly to try to maintain London as a major international capital market while trying to prevent UK-originated business being shared overseas.

There is happily time to improve these measures during the passage of the Finance Bill; but there will be no proportionity then to fill in the remain a meaningful target when the Government has explicitly abandoned over-funding, its only means of counteracting the growth of bank credit to discuss the creation of a sterling commercial paper market (which would let the private sector control M3), or for that matter to mention the European Monetary System. Industry has

## THE BUDGET: Analysis

THE two best things about the Budget are the proposals to boost profit-sharing and the Green Paper on the reform of **ECONOMIC ASSESSMENT** 

personal taxation.

The danger with the Green aper discussion is that

Paper discussion is that rivalries between the exponents of purely individual taxation allowances will obscure the common ground which links them. That is the abolition of the married allowance, which gives a two-earner family a much larger relief than two separate individuals.

Abolition of unis anomaly would release funds for raising

would release funds for raising thresholds by a sizeable

amount. Still, on both these issues

Nigel Lawson deserves the credit for concentrating on long-term reforms, which may have their most important effects well into the next Par-

liament rather than ones for which he will reap the credit

The worst aspect of the Budget is the waste of some film to reduce the basic rate of income tax by 1p. This is said to be an "incentive." But

an incentive to whom, to do what? And what relevance has

If only some ways could be

found of pricing more people into jobs Britain's economic

prospects would seem quite good, as the Red Book demon-

involuntary unemploy-

### The Green Paper proposals cannot take effect until the early 1990s for computerisation rea-Lawson sons. The profit-sharing proposals will tak time to negotiate with Inland Revenue, and "employers and others" whom the Chancellor has promised to consult, and even longer to imlooks plement. It will be up to those who have campaigned for profit-sharing, whether for Weitzmantype employment-creating reasons, or from a more tradi-tional desire to involve and ahead to motivate employees to make sure that theplan does not die for I dread the first meeting between the Inland Revenue and CBI representatives on the the 1990s subject. It will also be a formidable test of the sincerity of the Alliance parties' desire to promote a new kind of politics whether they help the Chancellor against foot-dragging from his own side now that he has stolen their clothes on this one

By Samuel Brittan

		PSBR		P:	SFD*
Year	Cash (2 billion)	In 1984-85 prices	Ratio to to GDP (per cent)	Cash (£ billion)	Ratio to GDP (per cent
Average 1974-75					
to 1978-79	8.2	19.4	63	7.3	5
1979-80	10.0	15.3	4	8.2	4 Š
1980-81	12.7	16.3	5 <u>₹</u>	11.9	5
1981-82	8.6	10.1		5.9	21
1982-83	8.9	9.7	3}	8.6	3
1983-84	9.7	10.1	31	12.3	4
1984-85	10.1	10.1	3	14.4	41
1985-86 (Budget forecast)	6.8	6.4	2	10.2	23
1986-87 (Budget forecast)	7.1	6.5	1 <del>1</del>	12.2	31
	tor financial				•

is with an experimental free by assets sales, but the less isue in the next privatisation venture, which might be issued while the Prime Minister is on a foreign trip.

One aspect of the Budget on which I cannot imagine myself having spent a moment of time was the reshuffling of excise strates in detail. This is partly duty, because of the boost that lower

because of the boost that lower oil prices have given to the world economy, and partly because of the rise in UK output per head, following the shake out in recent years.

One reform which is only "better than nothing" is the It would have been better to have spent the time and energy in concert with Sir Geoffrey Howe, inducing the Prime Minister to accept realities on the European Monetary System, which has brought the French inflation rate below the British. She could not really afford to incentive for small investors to inflation rate below the British, purchase equities, based on an She could not really afford to idea of the former French lose her Foreign Secretary and finance minister, R. Monory, but—Chancellor as well as her other developed further by Somerset ministers.

House.

But far more important in fiscal strategy, which are not adapting to the age of high technology and high returns for The table shows varying meacapital would be measures to sures of fiscal policy.

hand over shares to all adults, The most important columns not just potential readers of to look at relate not to the City columns. The place to start famous PSBR, which is distorted to the regarded as a time PSPD down to 2½ per cent of GDP; and a small rise to 3½ quite literally to the top line—of Nominal GDP.

This can be regarded as a The proce sentance.

well-known public sector finan-cial deficit, which is net of assets, sales and other distor-tions. While the PSBR is expected to remain stable at around £7bp, the PSFD will rise by £2bn to just over £12bn in 1986-87.

It is better to look at the PSFD as a percentage of GDP. This fell from 5 per cent in 1978-79—Denis Healey's last year—to 21 per cent in 1981-82 after the tough tax-raising Geoffrey Howe Budget, which Geoffrey Howe Budget, which both fanatical supporters and fanatical opponents of sound money saw as a profound turning point.

In fact, the percentage then started to rise, partly owing to failures of expenditure control, and also the mineral strike In

and also the miners' strike. In the year now ending, the fiscal stance was tightened again with the PSFD down to 2½ per cent

very modest fiscal relaxation to the product of many drafts—offset monetary tightness—announces: "While the Nominal offset monetary tightness—
British interest rates will still
be very high by international
standards, even if they soon come down by 1 per cent or more. Alternatively, it can be regarded as a sensible smooth-ing out of the effects of a halving of the oil price which has cut Government revenue by

The Chancellor indicated that if there were a temporary further drop in oil prices below \$15, he would be prepared to see a temporarily higher Budget deficit. But on any interpretation, the fiscal relaxation is not on a scalate wayer the financial on a scale to worry the financial

But neither fiscal nor monetary policy can be seen in isolation. The key feature of the restatement of the Medium Term Financial Strategy in the Term Financial Strategy in the Nominal GDP path declines





abolished without replacement:
the latest being gifts tax.

The underlying rate of inflation is measured much better
by the GDP deflator than the
conventional RPI. The Treasury
projection here shows a big
fall from 6 per cent in the
present financial year to 33 per
cent next year (largely because
of oil and the dollar), but then
only the slightest of tilts downwards to 3 per cent by 1989-90.
So no one can say that the
economy is being crucified out
of an over fanatical or literal
devotion to zero inflation. of an over fanatical or literal devotion to zero inflation.

Unfortunately, City-based commentators will focus neither on the wisdom of the ultimate Nominal GDP objectives nor on the realism of the Treasury's estimated split between growth and inflation.

They will focus instead on the monetary means. Here, they will be able to point gleefully to a great gap.

The Treasury authors make

fully to a great gap.

The Treasury authors make it clear that they do not regard their beloved MO as having a strong casual effect on the economy of a "monetary base" kind. They candidly explain that it is simply an index or proxy for the transaction balances which they have no good way of measuring. Still, MO is the only monetary target stated for some years ahead.

The sterling M3 target of 11

back from 3 per cent in the coming year to only 2½ per cent in the remaining years. Indeed,

if North Sea oil is excluded,

the growth rate is expected to remain at nearly 3 per cent.

Low growth is last decade's economic illness, this decade's

economic lilness, this decade's is jobless prosperity. Next decade's will be the old Ricardian problem of the division of the national income between the owners of land, labour and capital. It is this problem which stops me cheering when the Chancellor boasts how many taxes on capital and in-

many taxes on capital and investment income he has abolished without replacement:

The sterling M3 target of 11 to 15 per cent has been raised a great deal and is for 1986-87

The key to the Chancellor's actions is neither of these measures but a "view of the exchange rate" which shifts in relation to forces such as oil

But because the exchange rate objective still "dare not speak its name," the UK Government does not obtain the confidnee advantages which for instance tht French Government obtained from a specific target related to the EMS.

Now that the oil shake out has largely occurred, there are no longer special factors ruling out British membership. It is not my first bust economic policy, but it is the best obtainable.

Without it, the Bank of England will have to continue to play games with the financial markets and the country wil have to suffer higher infla-Red Book is the elevation — more slowly to reach 5; per perhaps less jobs than might be cent is envisaged for the coming year.

This can be regarded as a The prose sentence—no doubt the rise in real output to fall necy in high places.

## Mr Reagan and

PRESIDENT REAGAN is seeking a fourfold increase in content with this. He appears to gressional funding for the want to overthrow the regime 'contra" rebels fighting against the Sandinista government in Nicaragua. He has appealed for this on television directly to the American public in the build up to a vote in the House of Repre-sentatives tomorrow. If

the Contras

military equipment
This would be a serious
escalation of American involvement in Nicaraguan politics and in the Central America arena as a whole. Yet the request is being made on an unacceptably crude basis of the need to "get tough" with Communism. President Reagan is exaggerating the threat and exaggerating the

According to Mr Reagan, toehold in Central America: if not checked, the contagion will spread, damaging not just the vital interests of the US but those of the West as a whole. The reality is more mundane

and less alarming.
With a population of less than
3 million, Nicaragua is one of the poorest countries in Latin peace intitiative. This is the America. It is being implan for a Central American poverished further by the peace treaty, proposed by crippling cost of the war against the contras. The Soviets and Venezuela and now backed by the Cubans have stepped in Argentina, Brazil, Peru and with military aid, but the Soviets in particular have been extremely cautious. There is no evidence they are willing to and Nicaragua signing an agreement the Argentina to the contract of th confront the Americans over ment for joint supervision of

If there was any danger of using Costa Rican territory, the contagion spreading. Mr Reagan can claim success in excellent one, provided that the having checked it. Nicaragua group can deliver more than today is cowed by a combination good intentions. The Contadora of US economic embargoes and countries need to assume more Washington's war waged by responsibility in order to have proxy through the contras. But more influence.

tent with this. He appears to want to overthrow the regime On present form, the contras are not going to be able to do this. During the course of the past 12 months they have suf-fered a series of military reverses, with perhaps no more than 3,000 men now operating sentatives tomorrow. If than 3,000 men now operating approved, the contras will inside Nicaragua. The majority, receive \$100m, permitting around 12,000, are quartered not just the "humanitarian aid" of last year but the Honduras. The new acquisition of sophisticated Azona, is deeply embarrassed by this processor. by this presence; the armed forces are divided as to the level of American involvement that should be allowed on Hon-duran soil. If \$100m goes to the contras, then it will be dis-

> Greater Honduran involvement in turn raises the prospect of border flare-ups with Nicaragua or direct conflict between the two states. The commit-ment to upgrade the contra forces locks the Reagan Admin-istration into a classic spiral of

bursed through the good offices

escalation.

Fears that the situation could get out of hand have led Central American governments. prodded by their colleagues elsewhere in Latin America, to reassess the flagging Contadora peace treaty, proposed by Colombia, Mexico, Panama and their border to prevent contras

still need to be tackled MR LAWSON'S Green Paper opinion throughout Europe has the grand title of The seems strongly in favour of Reform of Personal Taxation. fully independent taxation of The general reader may thus husband and wife—and this

Some basic questions that

be surprised by the narrowness of its scope. Most of the paper is concerned with the structure of personal tax allowances although there is some rather inconclusive discussion of the merits of integrating the tax and benefits systems. The issue that matters most in the longer-term is the struc-ture of the personal tax base. Mr Lawson has tackled the question of how liability to

TAX REFORM

personal taxes should be spread among households of different types, but has ignored the more important issue of what those taxes should be levied on. . Should personal taxes be based on income or spending? Should mortgage interest relief remain? Should value added tax be broadened? The Treasury has laboured for a year on a blueprint for the 1990s and the

next century but has failed even to ask, let alone to answer, such fundamental questions. Mr Lawson, apparently, still lacks a unifying vision for tax reform.

In this sense the paper, while containing some interesting analysis, is no consolation for the series of defeats the Chancellor has suffered at the hands of special interest groups which have effectively blocked more radical changes.

The Chancellor believes allowances should be fully

transferable between husband and wife. Yet when the Institute of Fiscal Studies re-Institute of Fiscal Studies recently held a conference on the most needed because of higher subject it had the greatest difficulty finding any tax expert Two responses are possible here. First, that with non-

transferability.

Most tax specialists will agree that every adult, regardless of sex or circumstances, should have the same standard tax allowance. The phasing-out of have the same standard tax wherever it occurs. Thus house-allowance. The phasing-out of holds supporting children could the married man's enhanced have higher benefits—whether allowance is long overdue and or not the parents happen to necessary if sex discrimination be married. in the present code is to be eliminated. But the case for cash would not be wasted on submissions will be studied transferability of allowances married couples who do not "very carefully" before the between spouses is much less obvious. Indeed, academic

seems strongly in favour of fully independent taxation of husband and wife—and this means equal but non-transferable allowances.

The Green Paper attempts to marshal arguments in favour of transferability. One is that with this reform a rise in allowances would take more people out of the poverty and unemployment traps than is possible at the same cost today. This may be true, but it is also the case that the tax system is a blunt weapon to use in attacking these traps. There is little sense in altering the tax liabilities of every family in the country just to get at the few per cent in the traps. It is more efficient to tackle poverty through the bene-



fits system, which can focus relief where it is really needed, than through changes in general taxation.

Another somewhat spurious argument is that transferability is required for "life cycle" reasons. Thus, it is said, when a wife gives up work to bring up children, the family loses her

transferable allowances all the cash raised by phasing-out the married man's extra allowance would be available to meet need The difference is that a lot of

Transferability represents indiscriminate largesse. Mr
Lawson would be giving extra
concessions, for example, to
wealthy childless couples where
the wife chooses to stay at
home. This hardly seems consistent with the Fowler doctrine
that relief should be carefully targeted on need.
This leads to the second response to the life cycle argu-

ment which is that it should anyway be overridden by the principle that benefits and tax concessions should be carefully Higher child benefit, for example, could be justified purely on life cycle grounds but

in fact, as Mr Norman Fowler implicitly recognised, it is better to employ targeted benefits like family credit and let the better off cope on their own with life cycle fluctuations—by borrowing if necessary on the market.

As a proposal for the 1990s, the Lawson plan is curiously old-fashioned. Inspite of the lip service paid to "fiscal neutrality" the Chapcellor would be ity" the Chancellor would be introducing an explicit tax break for marriage — an increasingly fragile institution.

Concern has also been raised about the effect of transferability on married women's work incentives. A husband's net income would fall as his wife started working, reflecting the transfer of the family's second allowance to her. There are many factors behind married women's work decisions apart from tax. As the Green Paper notes Den-mark which operates a form of transferable allowances, has the highest proportion of married women working in the EEC. Nonetheless, the IFS calculates that transferability could reduce employment of married women in the UK by about 200,000.

The case for equal but non-transferable allowances is that they would be fairer to all types of household, administratively much simpler, and cheaper. The most encouraging line in the Green Paper is the one that say need allowances for life cycle Government decides how

THE CHIEF individual bene-ficiaries of the changes announced in the Budget will be the well-off, although Mr Nigel Lawson's skilful presenta-tion largely disguised that

The wealthy will benefit in particular from the reform of Transferability represents in-

Mr Lawson's tone was popuhist, particularly when discus-sing his income tax changes. "The combined effect of the various income tax changes I have just announced is to con-centrate the benefit, modest as I readily concede it to be, not on the rich but on the great majority of ordinary taxpayers,"

that after adjustment for innation, the main beneficiaries of the about the changes aret hose on incomes of between £15,000 and £20,000, ie those earning about double the average national wage. They will enjoy a reduction in income tax in real terms of 0.9 per cent.

By contract married couples

By contrast, married couples earning only £4,000 a year will benefit from a tax reduction of only 0.1 per cent. This is the group that faces the highest effective rate of tax when the withdrawal of social security benefits is taken into account. In some cases, these rates come to nearly 100 per cent and thus amount to a major disincentive to find work. After two years of raising personal allowances with this problem in mind, Mr Lawson has now changed tack.

The reason that the Chancellor's reforms are regressive is that a cut in the basic rate of tax gives most benefit to those who pay the maximum basic rate tax. Such taxpayers are those whose taxable incomes after deducting their allowances and reliefs (for example on mortgage interest), are on the threshold of a higher rate of tax. Only 4 per cent of all taxpayers have earnings above the higher tax threshold. Thus the chief beneficiaries of such a change are those who are in the top 10 per cent of income earners—but outside the top 4

per cent. A further twist for basic rate taxpayers is that the cut in the stored, under a different name tax rate will appear to increase and in a watered-down form their mortgage payments. A homeowner with a £30,000

PERSONAL TAXATION

GDP figures are not targets, and fluctuation will inevitably occur, the aim will be to avoid

substantial departures in either direction in the medium term.'

This is as near a target as it is sensible to have.

that his objectives here were insurance against deficient as

well as excess demand. But

these assurances are only taken on board if they are spelled out

and developed with more elaboration, with the word "jobs" as a leit motif in every

The actual projections for Nominal GDP show quite a sharp drop from an 81 per cent

rise in 1985-86 after allowing

other sentence.

The Chancellor did explain

## The largest particular from the reform of capital transfer tax, the creation or extension of several methods of sheltering income a methods of sheltering income from tax, the shifts in excise duties and the changes in the income tax rates and thresholds.

the cut in mortgage interest rates which seems likely. The highest rate taxpayers—
the top 1 per cent—have also
gained less because the income
threshold at which the top 60
per cent rate is introduced has

In fact, the tables produced by the Inland Revenue show that after adjustment for infation, the main beneficiaries of the abolition of capital transfer tax on

The greatest beneficiaries of all from this change will be the ultra-wealthy. Britain's weal-thiest man, the Duke of West-minster, whose estate is estimated to be worth at least £2bn will save a minimum of £600m at a stroke as a result of Mr Lawson's statement.

To avoid paying inheritance tax, the successor to capital transfer tax, the Duke will have to transfer his wealth, possibly into a trust, at least seven years before he dies. But as he is in his early 30s this Should not be a major risk and is one against which he and other wealthy individuals will be able to insure.

Mr Lawson has in fact reand in a watered-down form, estate duty. This dates back to

Halifax Building Society esti-introduction of a tax on life-mates. However, this effect time gifts has never achieved should be more than offset by its objectives of re-distributing wealth. In fact, after adjust-ment for inflation, the annual yield from CTT has been only a third of the yield of the des pised estate duty.

This is mainly because of the This is mainly because or the large number of exemptions and reduced rates introduced by the Labour government and extended by the Conservatives.

Most important of all was the conservation granted to gifts Most important of all was the exemption granted to gifts between husband and wife which allowed families to reduce, or at least defer, their tax payments. As the effects of that exemption began to unwind — as spouses died and bequeathed their wealth to the next generation — the yield next generation — the yield from CTT has started to rise in real terms over the last three

Mr Lawson has killed the tax just as it was beginning to bite, albeit weakly. But by preserving the inter-spouse exemption and the lower CTT rates, he has ensured that his new inheritance tax will be substantially less effective. ance tax will be substantially less effective in re-distributing wealth even than the old estate duty. For example, even if a wealthy husband dies prematurely, his family estate will have a second chance to escape the tax if he has left his wealth to his wife

the tax if he has left his wealth to his wife.

Another way in which the Budget will benefit the well-off is through its extension of tax shelters. The most attractive of all tak shelters has been the Business Expansion Scheme to attract new equity capital for unquoted companies. Its life span, which was originally limited to 1987, has now been extended indefinitely.

Although the Chancellor has cut down drastically the possibilities for using the tax chelter merely to buy real estate and other assets with long lives, he has added a series with long lives, he

other assets with long lives, he has added a further tax incentive. Gains from investments under the BES will be free of their mortgage payments. A column and the condemned by the capital gains tax, an important repayment mortgage over 25 1974-79 Labour government as consideration for those who years will end up paying an a voluntary tax and replaced. regularly use up their annual extra £2.63 per month, the The Labour government's CGT exemption.

THE BUDGET: Analysis

HANCELLOR Lawson has been one of the great been one of the great beneficiaries of the political turbulence of the post were months. While other minimum ters were husy resigning or trying to make the best of the Westland affair, he was able quietly to get on with his hudget preparation. There was after less prime ministerial or tabinet interference in the langet presented yesterday than there might otherwise have been. nave been.

The Chancellor has gained redit too, for having successive fought off a sterling crisis that mast people were looking it other matters. There was in early January in spite of the brecapitate fall in the price of a sil, which will cost the Government a good £5bn in lost revenues in the coming tax wear. Even Tories who are not always his admirers, now look appear him with a new respect. in ripon him with a new respect.

The oil price fall has given a him another enarmous political line in he has won time to do line nore later, and has done so for the most respectable of reasons.

To would have been irresponding to the feeding in 1986-87 because of the decline in the oil price. But the decline in the oil price. But the decline in the oil price. But the decline in the oil price growth and low inflation of which he repeatedly spoke, it will he ment had low ministron of which he is presentedly spoke, it will be to go for much bigger cuts next time—and as the swhen a general election will be to go for the swhen a general election will be to go for the swhen a general election will be to go for the swhen a general election will be to go for the swhen a general election will be to go for the swhen a general election will be to go for the swhen a general election will be to go for the swhen a general election will be to go for the swhen a general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election will be to go for the swhen as general election.

effect a: At any rate, it will be the a "magnest Budget that matters, even They mid the election is deferred units shift the spring of 1988. By before the many what he calls "prodent" in the ing what he calls "prudent"

this low, Mr Lawson has established

of the one case for being generous 12

the one months on, and without being

aid is amountly accused of a pre-election

handout. He may be able to

ill land claim that it just worked out

has been the there are some similarities it is in the what happened last year.
The Chancelor excused his the chancelor exc the secosts of the miners' strike, it is spaint the strike, he was just ending which was just ending. but the public would understand that it meant a slow

sil in down in the second on the day in the oil price, strate in the fall in the oil price, strate in the last French which no one could convincingly blame on him. Over the last The state on the over the last less included in the state of the state in around for reasons why a lower economy. It has come to the



POLITICAL ASSESSMENT

## Chancellor wins a further year

By Malcolm Rutherford

inflation than Britain.

Still, the message is that the oil price fall should eventually cut costs both for industry and the private consumer. That should in turn raise non-oil revenues if economic growth continues, which would make way for the tax cuts.

Last year the Chancellor had a further excuse; what he called the independent of the continues of

the "relentless surge of the dollar" and the American budget deficit which he said, meant that the US was importing a large part of the rest of the world's savings and exporting some of its own inflation. Some of that has changed since the Plaza agreement of

the Group of Five last September. Mr Lawson no longer claims that sterling is too high and may even be able to reap the benefits of a creeping devaluation without much of an off-setting loss in higher inflation. That, one suspects, is something he has always wanted to do, though on the quiet and without upsetting the

Last year's Budget, it should

oil producers, such as West it moved towards parity with Germany and Japan which the dollar, and then a sharp rise already have a lower rate of as interest rates went up because the fall had got out of hand,

Logic points to sterling's fairly early entry into the exchange rate mechanism of the European Monetary System, though of course the Chan-cellor could not publicly discuss it and, so far as is known, the Prime Minister still believes that the moment is not yet right.

Yet the relatively smooth passage of the French general elections on Sunday should bring a good deal nearer. There are now no obstacles except Mrs Thatcher's reluc-tance Membership would mean that Britain at last belonged to the Community in every way, which could be presented as a considerable political achievement after all the years

of quarrelling. Continental influence, particularly French, looms large. In the last few weeks the Government has agreed to build the Channel tunnel, become so impressed by the French nuclear energy programme that it is determined to accelerate its be conclusion that it is, except that be remembered was preceded its own, and has now announced this it will be even better for non-by a sharp fall in the pound as ced a scheme to encourage

direct investment in equities that is plainly influenced by the French Loi Monory.

Japanese influence comes in through the suggestion that part of employees' wages might part of employees wages might depend directly on the profit-ability of their company per person employed. In a way, this would be a form of incomes policy and the Government is plainly still worried by the level of pay settlements. But it would be a new departure and shows a readinest to learn

and shows a readiness to learn from abroad. It was a clever Budget: almost a balancing act. Stamp duty was reduced, but is to be balanced by new taxes on other financial transactions: for example, mergers and takeovers. That should not be unpopular with any political party at this stage of financial hyper-activity.

hyper-activity.

The duty on cigarettes goes up, but can be excused by the health hazard. There are no neath hazard. There are no similar rises in the duty on alcohol. Leaving whisky alone was a sop to the Scots, among whom Tory fortunes are low. Two severe criticisms could be made. The first is that suc-

cessive governments, year after year, have sought to introduce measures to promote employ-ment. Mr Lawson's third budget goes further, expanding the community programme and the youths training scheme yet again. Yet the number out of work remains obstinately high. The schemes will be judged by results, but there must be a limit to how long the electorate accepts that this is the best way

The other is that there ap-pears to be little in the Budget pears to be little in the Budget for the genuinely disadvantaged, the people who have fallen below the safety net: the old, the sick, the disabled and the long term unemployed. It is almost this it is a budget if not solely for those in work, at least for those near work, like the young. The bottom quartile of the population looks neglected and that. lation looks neglected and that. one suspects, is where the Labour Party and perhaps the Allance will mount their attack

on the Government. Some subjects have been left for the future: a possible early cut in interest rates, member-ship of the EMS shortly after and major tax reform delayed almost to the 1990s with the introduction of a computerised

All in all, however, it is the intellectual agility that impresses. Mr Lawson has produced a much livelier Budget than might have been expected in the circumstances and the 1p cut in the standard rate of income tax should do the Tories no harm if it is an earnest of things to come. What he has to that is the hostage to fortune.

THE GOVERNMENT'S broad philosophic and political approach to job creation and the alleviation of unemployment has been resoundingly confirmed in this Budget. The Chancellor has again asserted that only an enterprise culture can provide secure jobs, and again emphasised the central importance of high real pay increases, that is, relative to those paid in competitor countries, to competitiveness and thus employment, He said: "It is this, and not our alleged dependence on oil, that constitutes the Achilles heel of the

The prime responsibility for shielding that heel falls on employers, as the Confederation of British Industry, Mr. tion of British Industry, Mr Lawson was quick to point out, had itself admitted. The Chancellor, however, in seeking to give employers some help to get rid of what he called the rigidity of the pay system, and in overcoming the "considerable inertia." hinted at a reform which if successful would be radical step towards the enterprise culture he seeks

British economy."

the enterprise culture he seeks. If adopted generally it could begin to transform the assumptions and practice of collective bargaining.

Mr Lawson intends to consult forthwith on a scheme to transform

Mr Lawson intends to consult forthwith on a scheme to "offer some temporary measure of tax relief to . . employees . . . to help get profit-sharing agreements of the right kind off the ground." He said the explicit aim would be to replace a system where the only flexibility in water costs was the numbers. in wage costs was the numbers employed with one where flexi-bility was found in pay—clearly the ability for pay to move down in hard times as well as up in

good.

The implication here is that The implication here is that he is looking to arrangements where, say, 20 per cent of an employee's earnings may be based on profit-sharing, through either issue of shares in lieu of part of salary or a more direct relationship with profit, as by payment of bonus. This would be new. Now companies offering profit-sharing do so on top of a salary which conforms to the going rate, though the to the going rate, though the extra may well secure a more skilled employee than would the going rate.

The notion has had a mixed first response. Sir Terence Beckett, CBI director general, was guarded, willing to consult and explore but presently scep-tical. Mr Graham Mather, policy director at the Institute of Directors, was cock-a-hoop, talk-ing of "an adventurous and innovative move which will be seen in future years as the most important—it will get pay settlements down and encourage the growth of a share-owning



JOB CREATION/INDUSTRY

## A poultice for the economy's **Achilles heel**

By John Lloyd and Alan Pike

been low.

head of the Centre for Employ-ment Research, said he had always favoured such schemes they can persuade the Treasury but that they should have a direct relationship to profit so that new workers joining a company could be motivated instantly [rather than having to wait for shares to accrue]. However, he did not believe such a system would help to lower labour costs.

None the less the idea appears to be one the time of which is coming, if it has not yet come. Interest in "job-ownership," stimulated by the work of Professor Martin Weitzman, of Massachusetts Institute of Technology (MIT), and others, has grown with the success of the Employee Share Ownership Plans (Esops) in the US. There tax incentives have been given for some years. Clearly Mr Lawson has such work in mind though we must attend the results of his consultations to see how radical he will wish to be,

The other package of me sures is more conventional, reflecting the belief of Lord Young, Employment Secretary, that help is needed to price workers, especially young workers, into jobs. For several heetic weeks Lord Young's

to extend the nine pilot schemes foregone conclusion for adoption of the pilot schemes has

Under the Jobstart scheme those among the 1.3m unem-ployed a year or more and who take jobs at less than £80 a week will receive a weekly subsidy of £20 for six months, to ease transition from longterm unemployment back into the world of work. As part of this programme, under the overall rubric of Restart, the long-term unemployed will be offered counselling interviews offered counselling interviews ment which would enable in-and short Restart courses to dustrialists to play a much improve job-finding techniques. more active part in the Comimprove job-finding techniques.

Parallel to this and wholly unheralded a New Workers Scheme is being launched. It will pay a weekly £15 subsidy to employers who engage workers aged 18 or 19 at less than £55 a week, or workers aged 20 at less than £65 a week. It is closely similar to the now-discontinued Young Workers Scheme which proved, at best, moderately successful, showing a good deal of deadweight, that is to say adoption by employers

is to say adoption by employers who would have engaged these

earnings and profits, explicity designed to addn both unemployment and his wage increases. The enterprise culture is seen to flourish best when labour-market rigidities, especially wage rigidities, are progressively removed. A further favourite scheme,

A further favourite tcheme, one thought to meet criteria for stimulating enterprise and providing employment, is to be expanded further. This is the Enterprise Allowance Scheme which provides £40 a week for a year to the unemployed starting their own businesses. It is to be enlarged from 65,000 entrants a year to 100,000 a year, a sub-stantial growth in the ranks of the entrepreneurially inclined.

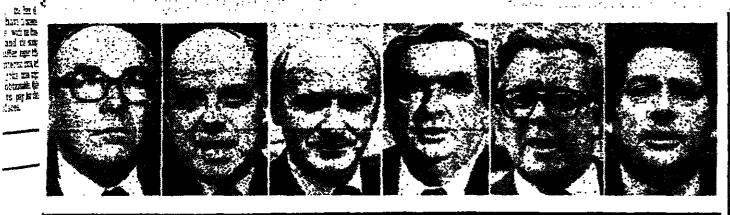
Not all of these new entrepreneurs will survive, of course. Those, however, which do, often quickly create jobs beside those of the original entrepreneur. The Manpower Services Commission is investing ways to make the scheme gating ways to make the scheme more efficient by offering better training to those keen to do their own business thing. Finally the Chancellor offered

Finally the Chancellor offered to expand by 55,000 the current 200,000 places on the Community Programme, and will raise the weekly allowance from £63 to £67 a week. In many of the worst-hit areas of the country the programme provides a lifeline for men and women not used to idleness. For the moment, at least, the lifeline is being paid out a little further.

The cost of these measures is put at £195m in 1986-87 and £285m in 1987-88. It is a good less than the £1bn boost to jobs which the CBI had requested in its pre-Budget submissions. Sir Terence broadly welcomed the package as a skilful one. However, he did not pretend to be wholly satisfied with what the Chancellor has felt able to do to alleviate a problem which more and more confederation members now see as an indus-

Nonetheless, industrialists are selves. Sir Terence will soon present proposals to the Governmunity Programme than they have to date—about 98 per cent of CP work—providers are local authorities or voluntary agen-cies. Companies may match government spending pound for pound, or more, to attract CP entrants to do useful work on commercial as well as public property. In the more flexible labour market already in in evidence, and the still-more flexible one apparently flexible one apparently yet to come, such a use of abour-impossible at lower the growth of a share-owning heetic weeks Lord Young's young workers anyway. levels of unemployment and officials have tried to evaluate

Professor Richard Layard, the sketchy first results of the to-be-announced link between militancy—is now a possibility.



### The Budget that almost got away

Budget Day in the House of Commons is an occasion of rare ceremony. Some members turn up before breakfast to secure their seats. One of the oddities of the House is that it is too small to accommodate its entire membership of 650 seated.

Some members see the Budget as the start of the London social season and dress up accordingly. But just one member of the Commons has the power to wreck the meticulous timetable that goes into the planning and presentation of the Budget. And this year it very nearly

happened.
The man who might have overturned the apple cart is Geoffrey Dickens, the Conserva-

Geoffrey Dickens, the Conservative member for Littleborough and Saddleworth.
Late on Monday night the Speaker of the Commons, Bernard Weatherill, decided a prima facte breach of privilege in naming an alleged sex offender in the House. Sighs of relief from party managers. Had the Speaker ruled against polickens, rather than just Dickens, rather than just rapped him over the knuckles. then the privilege issue would have had priority over the



"I think it means we're going sharing, lead-free, share buy-

### **Men and Matters**

Budget yesterday afternoon.

At 3.30 pm—the usual time for the Chancellor of the Exchequer to start to reveal his secrets—there would have been a debate of possibly one hour 30 mins, followed by a vote, about whether the Dickens' matter should be referred to the Committee of Privileges. Such a delay would have wrecked the Budget presentation, robbed the Chancellor of many headlines, and mangled the careful deadlines of newspapers, radio and television. Much to the relief of the Treasury the Budget speech was able to start only five minutes

### Roman burgers

It is fair to say that life will never be the same again for the Romans, where the style of eating has hitherto been almost as classical as the architecture. For Rome is the architecture. For Rome is the chosen venue for the biggest McDonald's hamburger joint the world has yet seen.

Just a hundred yards from the house at the Spanish Steps where Keats lived the last years of his life, drinking in the glories of Rome, McDonald's has just opened its 9,007th has just opened its 9,007th outlet—the first in the eternal city and only the second in Italy.

Conscious of the grandeur that is Rome the hamburger men used local materials for the building, including displays of Travertine marble, And the usual enormous yellow "M" has been replaced by a muted

But the fake Roman mosaics and anti-litter notices in Roman lettering take some swallowing. says my reporter.

### Paris remembers

The solemn celebration yester-

plastics or metal.

The St Neots concern is not

Often, Brooksight uncovers

The mass took place in the colonnaded grandeur of the Madeleine church, built by Napoleon, just a few hundred yards from the Elysee Palace ing for news of the expected nomination of Jacques Chirac as France's new Prime Minister. Among those in the Madeleine was the Duke of Anjou, the direct descendent of France's Bourbon kings, who still pulls in the monarchic faithful for annual remembrances of Louis' intention of trying to rival the political machinations over the

Nonetheless, the event under-lined that in France, though Left and Right may come and go, the memory of kings lives on.

execution each January.
Organisers disclaimed

guillotined in 1793, served to

remind politicians as well as kings that temporal power often rests on a knife edge.

where journalists were gather

### Containing crime

Crime can be made to pay, British company called Brooksight has discovered.

Companies in a variety

industries, from brewing to chemicals, are queuing up for the services of Brooksight, based in St Neots, Cambridge-shire, which specialises in tracking down containers that go missing.

Brooksight, started by two expolice officers in 1979, has built up a healthy turnover in discovering the whereabouts of industrial containers such as kegs, trays, gas bottles and crates. In an average year, the company hopes to recover no fewer than 100,000 of these assorted items for its various

The containers go astray either due to poor management day evening in Paris of a either due to poor management Requiem Mass for Louis XV, practices or, more frequently, to gangs of criminals which obtain the items either for their scrap value or for melting down into constituent materials such as

the St Neots concern is not teen to say too much about its operations—nor to disclose its list of customers, which evidently want to keep quiet the scale of their losses. But it is understood the clients include all of Britain's major brewers which suffer particular problems in that aluminium beer kees are a major attraction for kegs are a major attraction for

caches of containers stored in places such as farm buildings or empty garages while await-ing recycling or sale. The company's staff mount undercover operations to find the caches and track down gangs, handing over information to the police at the end of the exercise.

Brooksight is part of TIL, a
£2.2m turnover pharmaceuticals
group with head offices in Isleworth, near London. The link with TIL was forged in the early 1980s after the TIL management heard about Brooksight's role in finding

formation of France's next government presently gripping the attention of the French chemicals containers that had disappeared,

### inns out

Personnel Management, the business magazine, is doing its best to enliven Industry Year-an event which has not, so far, had us dancing in the streets. It is offering a small monthly prize for the best name for a wine bar appropriate to the

The idea came from the Duke of Edinburgh's reference at the Industry Year launch to the number of pubs which owe their names to the days when agriculture was the mainstay of the economy. So why shouldn't the trendy new wine bars echo the industrial style of the age, instead of sounding like foreign ioliday resorts?

At the FT we think that something aggressively "high tech" might strike the right

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**NERVOUS TOKYO HINTS AT CENTRAL BANK INTERVENTION** 

## Yen's rapid rise triggers alarm

BY JUREK MARTIN, FAR EAST EDITOR, IN TOKYO

THE JAPANESE Government appears to have become genuinely, and publicly, alarmed that the rapid

Cabinet to prepare an economic package, perbaps within a month.

That might include yet another and publicly, alarmed that the rapid rise in the value of the yen against the dollar is in the process of wreaking serious damage on the do-

Yesterday saw an extraordinary flurry of official pronouncements, all pointing in the direction of new measures to boost domestic demand and help ailing companies. The sense of urgency was underscored by a pessimistic monthly report from the Economic Planning Agency, which foresaw another fall in industrial outut in the current

Mr Yasuhiro Nakasone, the Prime Minister, who has previously

**Saudis** 

seek pact

with Opec

SAUDI ARABIA sought yesterday to assure other members of the Or-ganisation of Petroleum Exporting

Countries (Opec) that it wanted an

accord on production levels geared

A statement released through the official Saudi newsagency also tried

to dismiss any impression that the

Kingdom was taking a confronta-tional stance against non-member

producers, in particular the UK, by

forcing prices down in a bid to per

suade them to co-operate with Opec

in restraining total output.

The Saudi Government state-

ment denied as "untrue" an account

by a British newspaper of an interview with Sheikh Ahmed Zaki Ya-

mani, the Saudi Oil Minister. He was quoted as warning the UK that, because of the slump in oil prices as

a result of excess supply, "disaster lies ahead for which your country

bears the lion's share of the blame.

Saudi Arabia also said it was

still looking with great hopes for

the co-operation of producing coun-

tries outside the organisation and a

good understanding of the sensitivi-

The Saudi communication was is-

sued during a confused ministerial

conference exploring ways and means of restoring oil prices. The

statement was regarded with scept-

icism by some senior delegates

Many believe the Kingdom is trying

to use its muscle as the largest and richest oil producer to stabilise the

price of oil at unacceptably low lev-

el for most cash-strapped members.

does seem to be developing misgiv-ings about a policy backed by fellow conservative Arab regimes of the Gulf and clearly directed at forcing

other producers to co-operate in

Seasoned Opec observers saw the

statement as a move towards con-

ciliation with other Opec members

to encourage them to attempt to

push up oil prices without depend-

ing on co-operation from the UK

The statement also seemed to dis-

tance the Saudi Government from

the remarks attributed to Sheikh

resentful of the Saudi share of total

output this year - more than a quar-

gerian Minister of Energy, said Opec output should be no more

than 14m b/d and a per barrel reve-

nue and income less than \$20 was

A committee of Opec experts has been engaged since Tuesday after-

noon in intensive efforts to esti-

Opec oil in 1986 and how different

levels of production would affect

They are understood to have

reached general agreement that the

demand over the full year would be

World Weather

Yesterday Mr Belkacem Nabi, Al-

ter of the 17m b/d production.

Opec as a whole remains deeply

and Norway.

restraining global production.

But the Saudi ruling hierarchy

ty of the situation.

to raising market prices.

on prices

reduction in the official discount rate, which has come down twice from 5 per cent to 4 per cent - in the past six weeks, more advanced public works spending, and the speedy passing on to industrial and individ-

lower oil prices.
Mr Noboru Takeshita, the Finance Minister, in many ways the architect of the yen's recent rise, admitted in Parliament that concerted central bank intervention was now possible. On the Tokyo market yesterday, the dollar fell to an all-time low of Y174.90, a loss of

sumers of the benefits of

At the present level, the dollar has fallen by 12.5 per cent from ny, predicted a fully fledged reces-

Y200 since the end of last year, and by 27 per cent from Y240 since the meeting of Group of Five ministers

Mr Michio Watanabe, the Minister of International Trade and Industry and a political power in the Government, went even further. He told the Cabinet meeting that a tar-get zone was needed for the yen, referably somewhat below its current value.

Leaders of industry also weighed in with a vengeance. Mr Yoshihiko Inayama, chairman of the Keidanren, the employers' federation, warned that big companies, as well as the marginal small and mediumsion if the Government did not act. Mr Takeshita held out the hope production and reduced capital that measures might be ready by the middle of next month, when Mr numbers do not yet point to dis-Nakasone goes to Washington for tress. Indeed, yesterday the Govpre-summit discussions with Presi- ernment coincidentally announced dent Ronald Reagan. Japan will that in the last quarter of 1985 the certainly portray new measures as gross national product had exits contribution to promoting global

economic growth. But it is indisputable that, this

spending, most of the economic panded in real terms by no less

than an annual rate of 7.2 per cent. Officials, however, ascribed that time, it has been domestic, not ex- to an extraordinary surge in inventernal, pressures that have brought tories, up 30 per cent over the previabout such a sense of governmental ous quarter, which is considered unurgency. The most potent has been from Japanese companies, big and small, which form a critical finan-feeling is that the current quarter warned that hig companies, as went as the marginal small and mediumsized exporters, were about to be badly hirt. Mr Takeshi Ishihara, chairman of Nissan, the car company, predicted a fully fledged recessimil, which form a critical marginal liberal may show little, if any, real growth or although, over the full year, the combination of the two might add as much as 2 percentage points to the GNP.

## Chase Manhattan plans bid defences

BY WILLIAM HALL IN NEW YORK

CHASE MANHATTAN, the third lation of stock by an investor group, biggest US banking group, is seek-but were being made "because of biggest US banking group, is seek-ing shareholder approval to introduce a series of anti takeover provisions at its annual meeting next

The move is believed to mark the first occasion on which the parent of a major US money centre bank has announced plans to introduce measures which are widely regarded on Wall Street as discouraging potential "hostile" takeover

Chase Manhattan will ask its shareholders to approve staggered terms for its directors and the adoption of "fair price provisions" which require the approval of 75 per cent of the shareholders for certain transactions.

Mr Fraser Seitel, Chase's director of public affairs, said yesterday that the proposals were not being made in response to any unusual accumu-

**Exxon plans** 

corporate

restructuring

By Dominic Lawson in London

over scene". He said Chase had been looking at the idea for some time and that it was "a prudent thing to do.

Many of America's biggest companies have introduced so-called anti takeover provisions in response to the wave of mergers and hostile takeovers which has swept across the US over the last couple of years, Until recently, however, major banks were believed to be in-sulated from hostile bids because

they are so highly regulated.
Although there has been no apparent relexation of regulatory attitudes to takeovers in the sector there has been growing speculation on Wall Street in recent weeks that

this could be changing.

The speculation has been fuelled by the recent unsuccessful attempt

of Mr Sandy Weill, the ex-president of American Express, to take control of BankAmerica, the financially troubled West Coast banking giant. Although Mr Weill was reoulfed, his interest is understood to poration of Los Angeles making an sooner than people think." nformal takeover approach to Bank America.

This approach was also rebuffed, but there is a growing feeling on not as profitable as rivals. This is Wall Street that the days when US reflected in relatively low stock banks could remain insulated from market capitalisations compared hostile takeover approaches are

Botts and former staff director of the vice-president's task group on regulation of financial services, told a conference of bankers in New York last week that he thought "the insulation is going to end very

"a very substantial increase in the amount of takeover activity involving banks over the next two to three years," and added that the day of hostile takeover bids in the banking have led to First Interstate Bancor- industry was going to arrive a "lot

Wall Street analysis believe that me big US banks could be vulnerable to takeovers because they are with other major US corporations. Chase, for example, which boasts assets of \$87.7bn and earned \$565m

Mr Richard Breeden, a partner in assets of \$87.7bn and earned \$565m the Houston law firm of Baker & last year, is valued in the stock market at \$3.3bn. This compares with American Express which is capita-

lised at \$15.1bn
Toys "R" US, America's leading speciality toy company, has a stock market valuation equivalent to that of Chase Manhattan.

Continued from Page 1 Government's borrowing require-

ment in 1986-87 from the levels earlier projected. Some economists had feared that he might increase borrowing, which they believed would lead to a resurgence of infla-

While a projection of £7bn (\$10.2bn) for next year's PSBR might not have been believed a month ago, Mr Lawson was helped by yesterday's announcement that the PSBR for the first 11 months of the current financial year totalled only £2.8bn. That was much lower than analysts had forecast and lent credibility to the Chancellor's projections for next year.

"I cannot see where the money is

Mr Skeoch believes Mr Lawson

EXXON, the world's largest oil company, is to launch a major corporate restructuring as part of its drive to reduce costs in the wake of the halving of world oil prices. Under the restructuring Exxon

will close all its regional affiliate offices with the exception of Imperial Oil, its 70 per cent owned Canadian affiliate. Last week, the company announced a 26 per cent reduction in its capital spending plans. Esso Europe, based in London,

will be closed by the autumn as will Esso Eastern and Esso Exploration in Houston, Esso Middle East in New York and Esso Inter-America

These affiliates will be replaced by a new, as yet unnamed, "interna-tional company" based in New Jer-sey to which all Exxon's worldwide

subsidiaries will report. The closure of the regional offices could lead to several thousand redundancies, adding to the 40,000 jobs that Exxon has shed since 1981.

Exxon added that its corporate headquarters activities in New York would also be reduced. The company warned yesterday that "other corporate activities are being evaluated to determine the most effective organisation in the light of the changed business environment in

the oil industry." As part of the changes, a new company co-ordinating Exxon's coal and minerals activities will be set up in New York, replacing divisions

regional affiliates. Exzon International, the company's oil supply and trading division, will also lose its separate identity and become part of the new international company.

The regional affiliates, acting as a secondary layer between the head office in New York and various ed as part of Exxon's grand design changes on commercial inventories. | in the 1960s.

### UK cuts tax rate and forecasts 3% growth

Continued from Page 1

which was suspended last autumn. still has only guideline status in his medium-term financial strategy. The 11 to 15 per cent range set for 1986-87 compares with his original intention to set a 4 to 8 per cent

The lowering of the PSBR target for 1986-87 also masks an increase in the wider public-sector financial deficit (PSFD), regarded by most economists as the best guide to the Government's underlying fiscal stance. Because of the planned acceleration of the privatisation programme, the PSFD will rise from an estimated £10bn in 1985-86 to just over £12bn in 1988-87.

In his taxation measures, Mr Lawson focused on the Government's aim of promoting popular

He announced plans for a new scheme to promote tax-free investment in shares and said he would consult industry on the possibility

profit-sharing. The aim of the latter would be to wages by moving to a system "in also criticised the benefits given to which a significant proportion of an employee's remuneration depends directly on the company's profitabil
Or David Owen, the Social Demoity per person employed."

The Personal Equity Plan, to be introduced from next January, will held for a short minimum period.

The sterling M3 target, however, include an exemption from valueadded tax on items such as lifts, alarms and welfare transport for handicapped people and tax deductibility for corporate donations to charities up to a maximum of 3 per

cent of a company's dividend pay-

Peter Riddell, Political Editor writes: The budget was welcomed last night by most Conservative MPs as politically astute and ingenious, although the opposition parties and a few senior Conservative ex-ministers agreed that nothing had really been done to help industry or to reduce unemployment.

A widespread view at Westminster was that Mr Lawson had skilfully made the most of a freedom of manoeuvre limited by the lower oil price and has created the platform for a tax-cutting budget next year ahead of a general election in autumn 1987 or early 1988.

Mr Neil Kinnock, the Labour Party leader, described the budget as "an exercise in tax juggling" which was irrelevant to the main problems of the British manufacturing tackle the inflexibility of British industry and of unemployment. He

crat leader, said the budget was "for the election rather than for the future, more for the South than the allow an individual to invest up to 12,400 a year in shares with an exemption from tax on reinvested dividuals. He said it was a financial idends and capital gains if they are rather than an industrial budget package was expansionary. Asset and did nothing to heal Britain's

### **Pound rises** on oil hopes and budget

Some economists, however, re-mained sceptical about Mr Law-

coming from," said Mr Keith Skeoch chief economist at London stockbroker James Capel. "It does not square at all with being able to drop your PSBR when you are £7bn short of revenue. It is based on a very optimistic view of the UK

has been unduly hopeful about the likely growth in non-oil revenues, on which he is relying to offset the fall in oil tax income

Mr Bootle was also cautious about the Government's chances of remaining within the PSBR target published yesterday, but said that even if the figure of £7bn were accepted, the Chancellor's overall sales are set to rise by C2.75bn from

## German industry loses an innovator

Continued from Page 1

among the first to espouse the idea operate. of decentralised data processing through workstation terminals as ors (including in his own company) opposed to large central main-by being sharply critical in public of frames. Putting that notion into the Bundespost, West Germany's practice, he targeted various mar-monolithic postal and telecommuni-kets, including banks, for termi-cations authority. Typically, he felt

While Mr Nixdorf always had something of the ingenious inventor about him, he also had the crucial ability to translate technical innovations into useful and marketable data processing products. He was not averse to turning to the US or Japan for technical know-how or components. The company today sees its role as providing data processing solutions, with a strong emphasis on software and servicing.

Mr Nixdorf was often scathing in criticism of his giant rivals, particularly IBM and Siemens, and reverse was there and his company is by far elled in the role of a David harass- the biggest employer, with 8,100 ing the Goliaths of the computer world. Unlike some rivals, he exalted decentralisation - both in the

more powerful, Mr Nixdorf was company's management should which has the reputation of being He also caused mild earth trem-

the Bundespost was inefficient, overmanned and far too slow in pushing ahead digitalisation of the elephone system.

By contrast, Nixdorf Computer was early in the market with a digital private telephone exchange more than three years ago as part of the company's expansion into the

ture, Mr Nixdorf himself could not be budged from the small town of Paderborn, set in a rural and Roman Catholic area of northern Gerpeople in production and office

Bowing to realities, however, Mr way data processing should serve Nixdorf agreed in recent years to ties are at least as sign individuals and in the way his own build up operations in Munich, technological prowess.

the nearest thing to West Ger-many's Silicon Valley.

Mr Nixdorf, who often travelled to the US and elsewhere to pursue his interest in sailing, was a strong believer in sport - even building a vast sports centre on company land at Paderborn for use by workers, particularly apprentices, and by lo-cal sports clubs.

While he had a paternalistic attitude to employees, he could be im-patient and cutting - fearsome characteristics that he also displayed at times to local and state politicians. He could, by all accounts, become highly indignant at being kept waiting by politicians.

Since the stock market launch of Nixdorf Computer, he has been widely feted as one of a rare breed of dynamic, self-made West German entrepreneurs. In recent times, he assumed the aura of a sort of high priest of technological achievement, although his company's marketing and servicing abili-

### THE LEX COLUMN

## A budget for equities

After weeks of self-torture at the ospect of punitive measures in the UK budget, the City of London was able to roar home last night in grand style, the better for a bottle or two of no-more-than indexed sparkling wine. Perhaps more by luck than judgment, Mr Lawson succeeded in producing a budget that would keep the City in good

heart for the Big Bang. In addition to specific incentives for personal investment in equities there is a £1bn fiscal boost, mostly aimed at the parts of the population where it is most likely to be spent.

To add to the expansive mood it was made as clear as possible that interest rates were to come down, so long as the exchange rate would stand it. If anything more were needed, there was a broad hint that forecast non-oil revenues for next year looked strong enough to finance Sir Geoffrey Howe's seven-year old pledge of income tax at 25p in the pound.

### Freedom

The extent to which the budgetary framework has changed would scarcely have been credited even six months ago. The concerted at-tack on the dollar by the G5, and on the price of oil by the members of Opec, have evidently produced a sense of liberation at the Treasury which most outsiders had not sus pected until the last few days.

The PSBR is no longer a problem since corporate tax payments and VAT have pushed up revenue faster than expected, while Government departments have apparently lost their feel for overspending.

Nor is monetary growth the bug-bear it used to be. A target range for EM3 that is prepared to let banklending go on just as it pleases - and has been doing for the last year in any case - seems still to be good for a quarter-point off the in-flation forecast for 1986, however rum this sounds to a generation of financial economists brought up on one form or another of monetarism.

cerned about the size of the money stock the gilt-edged market is pretty clearly not, and neither is the Chancellor.

BUDGET

The ceiling of 15 per cent on EM3-growth is the monetary equivalent of permission to go on breathing. What the authorities would do if sterling went into one of its periodic crises is obscure, but at \$13.50 for July Brent, there is no longer much petro-currency risk. Mr Lawson's realistic assumption of a \$15 average merely underlines his scope for manoeuvre. His joke about adjusting in 25 weeks to the revenue fall anticipated for the next 25 years was no mere piece of self-congratu-

The immediate beneficiaries in the equity market were all the old lags, sectors such as banks and brewers who had somehow or other escaped being jumped on. But the real impetus that this budget could give to equities has yet to be assessed. The unlocking of pension fund surpluses from the clammy and indecisive embrace of the revenue must be good for reported profits, if not for cash flow into the market from contributions.

these surpluses but in some cases could find their balance sheet liquidity transformed. The troubles of Gomme are gone. In the next bear market, when

the slimmed-down schemes run in- news for consumption. to deficit as asset values shrink, the Chancellor will presumably have to make good the shortfall. The reform of stamp duty has

turn it has now taken suggests that the argument has finally ended on

mably end up in the East River. Broadening the base for stamp duty, to include account dealing in

equities, will probably leave the spivs unmoved. When the market is going up by 10 per cent per fort-night, half a point is no more than a rake-off from excess profits. When the market is not going up there is not so much account trad-

ear

UK company treasurers into issuing domestic corporate bonds, only

to slap a tax on secondary market

turnover is strange. Maybe the Chancellor has a hitherto concealed

enthusiasm for offshore bearer

The absence of a sterling com-

mercial paper market merely re-

flects the new indifference towards

cent penal tax on the packaging

British equities as ADRs, a proce-

tionist measure which seems a

odds with the philosophy of global

securities markets, it must be the

first tax that the Treasury has tried

to levy in America since the Boston

tea party. The ADRs will presu-

As for the imposition of a 5 per

any outcome for bank lending.

ing, or any other kind. If this is the political price of the Personal Equity Plans, the City. not worry. A new class of unit trust managers, or pep-talk merchants. will have an unprecedented opportunity - albeit less gilded than their French counterparts enjoy - to ma-nage this new-style of SAYE.

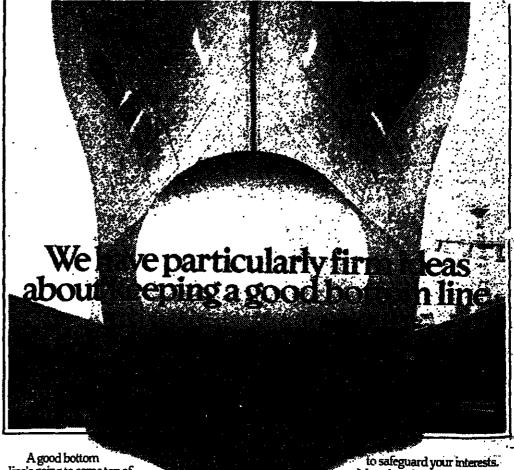
### Consumption

To do no more than index personal allowances is partly payment for the long-delayed victory of rate cutting over band-widening. It also is Company chairmen will not only no doubt done with one eye on the gain flexibility in their treatment of cumbrous reform of personal taxation, seeing that the transfer of allowances between spouses is bound to increase their cost.

A penny off the basic rate, given Given that Mr Lawson has been

prevented from tackling the major provide incentives or threats to issues in the old campaign for fiscal neutrality - mortgages are sacrosanct at Number 10 - he has found things to do.

Just imagine what he might have done for basic rate tax if the oil To spend years trying to provoke price had stayed put.



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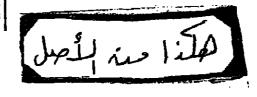
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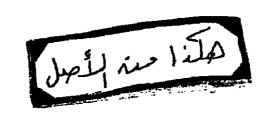


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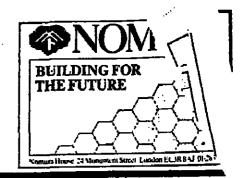




### SECTION II - COMPANIES AND MARKETS

## **FINANCIAL TIMES**

Wednesday March 19 1986



Kenneth Gooding charts the recovery of the Swedish motor group's car sales

## Volvo's step-by-step drive to profitability

back maintains.

Holland.

market as well as pushing into the prestige sector with the 760/740

The company's total car produc-

tion increased from 379,500 in 1984

300-series smaller cars produced by

WE MAKE profits in all the mar-kets in which our cars are sold," boasts Mr Roger Holtback, president of the Volvo Car Corporation. But he admits that the company's

success in the US, coupled with the strength of the dollar, has been mainly responsible for Volvo be-coming one of the world's best-performing car groups, with an annual 40 per cent return on capital and a 20 per cent profit margin for the past three or four years.

Volvo delivered 102,305 cars to customers in the US last year up from 97,915 in 1984 - or more than one third of its total worldwide The US contributed more than

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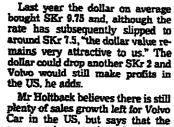
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half Volvo Car's 1985 profit. The details have still to be given but Mr since 1980 when it suffered a traumatic SKr 198m loss and was being income last year was above the SKr 6.14bn (\$849m) reported for 1984 and 1986 looks good for both vol-

ume and profit." Looking back, Mr Holtback re-calls that in 1980 Volvo broke even on its US business by selling 54,500 and in 1986 should increase its sales cars at a time when the dollar volume for the sixth successive



company has no plans for an assembly plant there. Apart from the drain on management and technical resources that would involve, "American consumers have shown one assembled in the US." Voivo Car has come a long way

written off by many observers who insisted its output was too low for

The company sold a record



Roger Holtback, president of

Mr Holtback points out: We are to 391,200 last year, of which 156,200 going for step-by-step growth in volume and profit. There will be no big were 240-series and 109,000 were jump. We want to strengthen our position in Europe, sell well in the US and establish ourselves in Japan in the future."

Only 1,500 Volvo cars were sold in Japan last year but Mr Holtback suggests the potential is for annual

Although growth in car sales volrovements both in productivity ume might become rather pedestriand the quality of its cars. an, profits should benefit from Vol-

Volvo Car has adapted Japanese just in time" component delivery methods to suit the Swedish system and this has squeezed more than SKr 3bn of stocks and work-in-progvo's significant move upmarket. It is now selling cars worth a great deal more and with much more val-

ue added. "It is much more important for us to add value to our cars ress out of the production process. than to sell more cars," Mr Holt-Productivity improvements are slowing up now but Volvo still ex-pects the investment it is making in Volvo now has three car "families" instead of the one on which it production systems to reduce the relied for most of the 1970s. It has cost per car by Skr 2,100 over the expanded into the sporty part of the next four or five years. "I am sure

we will reach a saving of SKr 3,000," Mr Holtback says confidently. Volvo Car's capital expenditure has been averaging SKr 2bn a year and will be somewhat higher in 1986. In all, it expects to spend SKr 20bn between 1984 and 1990 and to finance it all internally.

In the past five years Volvo has the associate group, Volvo BV in boosted its engineering and design staff while cutting back elsewhere. Mr Holtback says productivity gains at the car plants have averaged 6 per cent a year since the mid-1970s, when Volvo began a de-1970s, and the company also regu-

mally setting up a design company in the UK where it has recruited more than 100 designers shaken out by cuts in the British industry. Mr Holthack says it is cheaper to establish a design company in Britain than to take on designers to work in Sweden, where personal tax levels make it unattractive for foreigners

Volvo believes the large-car sector, which in 1978 accounted for about 21 per cent of world car sales but which has fallen below 14 per cent, has now stabilised but cannot be expected to expand again.

Although Volvo could, at a push, produce about 300,000 big cars a year, it is to establish another as-sembly plant in Sweden at Uddeval-

Work will start in October this year and be completed in 1988 when the new factory should have the capacity to produce 80,000 cars a year - which gives a clear hint about the corporation's volume growth expec-tations over the next few years.

yesterday. To accelerate this im-

provement we are implementing

programmes to substantially re-

duce administrative and suppor

service expenses that are not relat-ed to customer service. The effect of

these programmes will be to lower

our selling, general and administra-

tive expense percentage for the coming year."

Mr Hawley fought off an unwel-

come \$35 a share takeover bid from

prove. In order to remain indepen-

deut, Carter Hawley Hale sold \$300m of convertible preferred stock to General Cinema which

would give it about 39 per cent of

the group's equity on conversion. Carter Hawley Hale shares fell

by 5% to \$30% in early trading yes-terday.

## Ferruzzi lifts veil as British Sugar bid battle flares

By Alan Friedman in Milan

FERRUZZI, the Italian food and agricultural group which this week bought, through Barclays Merchant Bank, a 9 per cent stake in S.&W. Berisford, is moving quickly to lift the veil of secrety which has been its hallmark in the past hallmark in the past.

It remains to be seen, however, whether Ravenna-based Ferruzzi, the City of London, where the battle grain storage company and Oli E for control of Berisford and its Brit-Risi, the Soyabean oil and rice sub-

Ferruzzi's style is conditioned largely by Mr Raul Gardini, 53year-old chairman of the international business with 100 companies in agriculture, sugar, cereals, ship-ping, commodity trading and bank-of L1.5bn on L12bn turnover. Beghing. He is a native of Ravenna on in-Say, officially 49.6 per cent conthe Adriatic coast who will in one trolled by Ferruzzi, although actual moment explain that his group has share control is believed to top 50 5900m of cash liquidity and in the per cent, had 1984 turnover of about next speak of his love of simple \$1.5bn. Net profit was nearly \$30m pleasures, horses, duck shooting or and the company has 4,000

This boyish country charm tends to hide Mr Gardini's real shrewdness and ambition. For a "boy from the country" Mr Gardini has been quite sophisticated lately, including taking control of Beghin-Say, the French sugar and paper products group as well as forging shareholding alliances with Mr Carlo de Benedetti in Credito Romagnolo, the Bologna private bank, and in L'Espresso, the publishing group.

One big drawback for Ferruzzi is sheet. Price Waterhouse is preparing one now and Mr Mario Gab-brielli, former finance director of the ENI state energy group, has been hired as a senior Ferruzzi executive.

The Limited department store group in early 1984, promising that Carter Hawley Hale's previous disappointing performance would im-The group has 9,500 employees and owns more than 2.5m acres of land in Europe, the US and Latin America. Control is held by the Ferruzzi family. Mr Gardini is married

Agricola is the holding company

quoted on the Milan bourse, a Italy's third largest private sector though it is majority owned by the group with annual sales of Ferruzzi family. Agricola controls L10,000bn (\$8.5bn), can act fast Eridania, the Italian sugar subsidenough to establish its credibility in iary, Silos, the Genoa shipping and the City of London, where the battle grain storage company and Oli E. ish Sugar subsidiary is being played out. In 1984 Agricola posted a net profit of L20.5bn. Eridania, also listed in Milan, made a L40bn net profit on L757bn of turnover in 1984. Eridania has 2,000 employees. Silos, the third listed share on the

The remainder of Ferruzzi is composed of shipping and railway services (L2,000bn of turnover), commodity trading (L3,000bn of turnover), concrete and cement works (L1,000bn) and agriculture (L200bn). Of these interests, the concrete business will come to the Milan stockmarket in two weeks.

Finance for the Ferruzzi group does not appear to be a problem. A L600bn rights issue for Agricola, half of which was subscribed by the its lack of a consolidated balance Ferruzzi family, was a success last autumn. Last week Ferruzzi announced plans to raise L702.6bn through share and bond issues for

Agricola and Silos.
The Ferruzzi group, which has more than \$1bn of net assets, is thus an unusual animal. Based in Ravenna, far from major financial markets, it is nonetheless Europe's largest sugar conglomerate and

## BSI earnings and assets rise

BY WILLIAM DULLFORCE IN GENEVA

BANCA della Svizzera Italiana (BSI), the Lugano-based Swiss bank, yesterday reported an 8.9 per cent increase in net earnings to SFr 36.5m (\$19.2m) in 1965. Assets rose 3.5 per cent to SFr 6.2bn. Dr Giorgio Ghiringhelli, managing director, said the fall in the dollar's value and the gold price prevented a 10

The board has proposed an un-changed dividend of 13.5 per cent, again made up of an ordinary dividend of 12 per cent and an "extraordinary" dividend of 1.5 per cent. Following last year's rights issue the total dividend will be about proval for the issue to shareholders and at one of its agencies.

JACOBS SUCHARD, the Swiss

The company, which earlier this

month reported a 25 per cent in-crease in profits for 1985, says the

funding will provide the finance for

further expansion and enhance the

Swiss character of the group.

rights issue and a p

shares.

BSI has been having difficulty re-warding shareholders and raising new equity because Ticino, its home canton, taxes premiums derived from capital increases. For this reason last year's rights issue was made at par.

The Ticino authorities recently agreed to remove the tax on capital increases, and Dr Ghiringhelli said BSI would delay further increases until the new measures had come

chocolate and coffee group that trades under the Tobler and Su-thand labels, plans to raise up to istered shares. Both operations are strength and Su-thand labels, plans to raise up to istered shares. Both operations are strength and Colima Holding, a manufacture of the placement will be in 117,600 registered shares. Str 400m (\$212.3m) through a to be priced towards the end of family and Colima Holding, a manufacture of the priced towards the end of family and Colima Holding, a manufacture of the placement will be in 127,600 registered shares.

Mr Klaus Jacobs, president, says

tablished a company to deal specif-

The rights involves the issue of

ically with US operations.

Suchard plans to raise SFr 400m

recovery 22 per cent higher at around SFr of SFr 50m in bonds with an option to take up participation certificates. An equity-linked dollar bond will al-

so be issued by BSI (Overseas), the bank's subsidiary in the Bahamas. BSI's cash flow declined 9.2 per cent to SFr 79.4m compared with the result for 1984, when the bank posted SFr 29m in extraordinary

Allocations to losses, depreciation and provisions have been limited to SFr 43m compared with the SFr 54m the previous year, when this item was increased by 81 per cent, partly to cover irregularities dis-Instead, the board will seek ap- covered that year at a BSI branch

jority shareholder in Suchard

owned by the Jacobs family, plan to

rose by a quarter to SFr 150m last year. The company is putting up its dividend by about 3 per cent.

The rights issue is to be a one-for- 76,894 new SFr 50 nominal partici-

it is too early to be specific about expansion plans, although the US is a target area. Suchard recently es-

## stages strong

Alfa-Laval

By David Brown in Stockholm

ALFA-LAVAL, the Swedish engineering and farm equipment group, reported a strong return to profita-bility last year after 1984's weak performance which led to major

Profits before extraordinary items and tax rose 67 per cent to SKr 665.1m (\$92.6m) and the group expects "continued" improvement this year. However, it has yet to regain the profit levels of 1983, when it earned SKr 807m before tax.

The board has recommended increasing the dividend by one krona to SKr 10 a share.

Turnover climbed 13 per cent to SKr 10.04bn. But costs rose more slowly by 10.7 per cent due in part to widespread lay-offs and the operating result after depreciation rose from SKr 390.7m to SKr 640.9m.

A decline in financial income was offset by a sharp improvement in

All business groups improved op-erating income. Turnover in the in-dustrial group climbed 17 per cent to SKr 5.94bn helped by acquisitions and several large orders, including one for a dairy in the Soviet Union. Operating income after de-

preciation rose 25 per cent, the group said. The Agri unit reported "continued far-reaching rationalisation" last year. Sales declined by 4 per cent to SKr 2.24bn but income advanced by 54 per cent advanced by 54 per cent.

Total invoiced sales in the re-maining subsidiaries advanced 14 per cent to SKr 1.63bn and income rose 14 per cent.

Return on equity rose from 6.3 per cent to 12.8 per cent. Earnings per share more than doubled to SKr 30. Liquid assets decreased by SKr 195m to SKr 1.95bn. Investments in plant, equipment and shares rose from SKr 598m to SKr 811m.

### Paribas sells stake in **Providence**

By David Housego in Paris

PARIBAS, the state-owned French investment bank, yesterday decided to sell its holding in Providence, the private insurer, to the Axa-Drouot surance group headed by Mr Claude Bei Claude Bebear.

Paribas' decision, as the largest single shareholder in Providence

with 24.8 per cent, considerably strengthens Axa's hand in its takeover battle with the Compagnie du Midi for the control of Providence. Paribas explained its decision yesterday on the grounds of the attractiveness of the Axa offer and because of the bank's interest in maintaining a foothold in the insurance sector. Until now the Paribas representatives on the Providence board have been alone in declining to recommend the Compagnie du Midi's offer.

Axa is offering seven Drouot shares for each Providence share subscribable through a convertible bond to be issued by Drouot. This puts a value on Providence shares of about FFr 3,700 (\$535) compared with a quoted price for Providence shares of FFr 768 when they were suspended from trading in



## Carter Hawley hit by sales weakness

BY WILLIAM HALL IN NEW YORK

CARTER HAWLEY, the big US de- fourth quarter," said Mr Hawley partment store group which is still recovering from a takeover battle two years ago, yesterday reported a 42 per cent drop in its fourth-quarter earnings from continuing opera-tions to \$18.9m and outlined plans to reduce its overhead costs substantially.

The group reported a 77 per cent rise in earnings from continuing op-erations to \$48m for the 12 months to February 1 on a 9 per cent rise in sales to \$4bn. Sales in the final quarter were virtually unchanged at \$1.3bn

Mr Philip Hawley, chairman and chief executive, says that fourth-quarter sales were affected by a weakness in the general merchan-dise retail industry as well as parti-cular weakness in retail sales in the company's home state of California.

We made progress in improving our profitability during the last year, notwithstanding a difficult

### **Record for Christiania**

BY FAY GJESTER IN OSLO

CHRISTIANIA Bank, Norway's second-largest commercial bank, achieved record operating profits last year - NKr 808.2m (\$114m), before loss write-offs, tax and ex-

ity - measured by earnings as a proportion of average total assets, climbed to 1.65 per cent from 1.53

per cent. The improved performance, achieved despite pressure on inter-est margins, reflected higher earnings from other activities, particu-larly trading in shares

### Buitoni back in the black

BY JAMES BUXTON IN ROME

BUITONI, the Italian foods and L17.25bn in its commercial confectionery maker which last operations. year came under the control of Mr Carlo de Benedetti's CIR group, last

compared with a loss of L47.7bn in food products and sells them 1984 and a loss of L17bn in 1983. through its chain of supermarkets. Sales increased 14 per cent on a consolidated basis to L117.6bn, of which more than half were Marzotto, the Italian family-con-

Buitoni is attempting to buy conyear made a marginal profit after two years of heavy losses. SME, whose aggregate sales are Net profits were L448m (\$293,000) close to L3,000hn, both produces

trolled textile group, had sales last The company, which is based in year of L451.6bn (\$296m), up 17 per cent on those of 1984. Net profits ciation and invested a total of rose from L10bn to L15.6bn.

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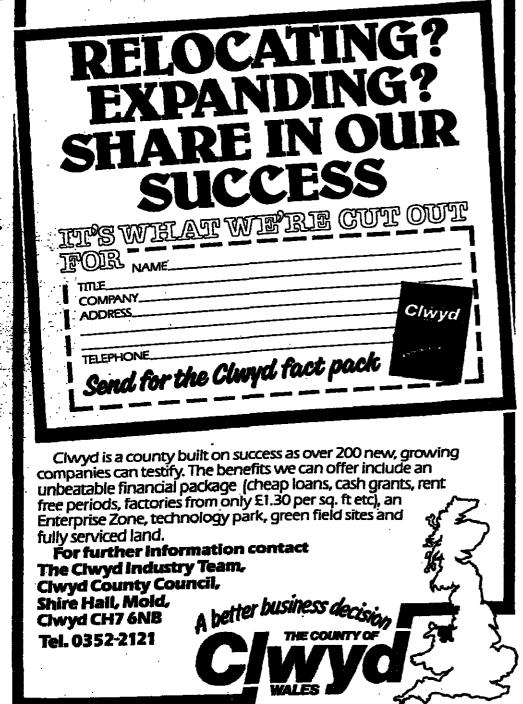
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### INTL. COMPANIES & FINANCE

## Cominco road deal brings zinc mine development closer

BY BERNARD SIMON IN TORONTO

DEVELOPMENT of the world's on the Chukchi Sea, 60 miles north construction is scheduled to richest zinc and lead deposit has of the town of Kotzebue, and a 54 in 1987. mining group Cominco and anthorities in Alaska to build a road and port to serve the proposed Red Dog mine in north-west Alaska.

The Pog utposts Approximate the proposed Red Dog mine in north-west Alaska.

The Construction is expected to begin with grades of 17 per cent zinc, 5 per cent lead and 2.6 ounces per construction is expected to begin.

The deposit is owned by Nana Re-

come a step closer with an agree mile road northwards from the ment between the Vancouver-based coast to the Red Dog deposit. Ap-

port to serve the proposed Red Dog mine in north-west Alaska.

Under the agreement the Alaska Construction is expected to begin this summer on the first part of the project – a permanent barge dock (Aida) will finance and build a port

Cape Krusenstern National Park.

Construction is expected to begin this summer on the first part of the project – a permanent barge dock and staging area at the port. Road

### General Mills confident of growth

BY OUR FINANCIAL STAFF

GENERAL MILLS, the US foods, GENERAL MILLS, the US 1000s, restaurants and retailing group, lifted operating net earnings for the third quarter from \$39.7m, or 90 cents a share, to \$46.4m or \$1.04. Sales for the period to February 23 grew from \$1.07bn to \$1.15bn.

The nine-month result showed an improvement from \$124.7m or \$2.78

Enskilda Securities

from \$3.21bn to \$3.43bn.

The company said it expected "continued progress" in the fourth quarter, and said that annual grounds will be said fiscal 1986 return on year-end shareholders' equation of the said fiscal 1986 return on year-end shareholders' equity is expected to exceed 25 per growth will be "well above the company's target of 6 per cent real growth plus inflation." In the last full year a net loss of \$72.9m, or profit gains, the company said.

to \$141.3m or \$3.17 on sales ahead from \$3.21bn to \$3.43bn. S1.63 a share was shown, after final quarter charges of \$108.6m.

### Norsk 'optimistic' over magnesium project

NORSK HYDRO, diversified Norwegian industrial group, is near to taking a decision on building a C\$450m (US\$323.9m) magnesium metal plant with an annual capacity of 50,000 tonnes at Becancour near

Norsk has an option on 450 acres next to a CS1bn Pechiney aluminium smelter opening this spring. Mr Sverre Bjerkomp, Norsk busi-

ness development director in Mon-treal, said the company was "highly optimistic" that a final project study due for completion early next month would lead to a power contract with Hydro-Quebec and a deci-sion by the Norsk board to invest in September. Construction would begin immediately and start-up of the plant was expected in early 1939.

The estimate of the project's cost working capital.

Becancour, 80 miles north-east of Montreal, has an ice-free harbour able to take 60,000 tonne vessels. Road-rail transport connects directly with Ontario and US manufacturing centres.

feasibility study is also being undertaken by Norsk on a magne sium oxide plant and dolomite min-ing operation, together costing CS150m. Dolomite and high-quality seawater are basic needs for making oxide. Potential mines are being studied in the Havre St Pierre area. a shipping port on the lower St Lawrence about 800 miles northeast of Montreal

Mr Bjerkomp said the mine and the oxide plant had to fight for funding with other projects among Norsk's energy, fertiliser and petro chemical divisions. The outcome has risen from C\$300m to C\$450m, would depend largely on negotia-including inflation during 1989 and tions with federal and provincial

### Occidental cuts capital spending

BY OUR FINANCIAL STAFF OCCIDENTAL Petroleum, the US

diversified energy group, has be-come the third US oil-related company to announce a cut in capital spending in the last week because of falling oil prices.

The Los Angeles-based concern aid that total corporate spending previous 1986 plan. has been reduced by about 25 per cent to \$1.1bn from \$1.5bn origiplanned for this year.

two other big US oil groups, announced plans to cut spending in 1986 by a combined total of \$4.3bn. Occidental said capital spending in international and domestic oil and gas operations has been cut to

about \$750m from about \$1bn in the The reductions are part of a con-

tingency programme developed late Last week Exxon and Chevron, lower oil prices.

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In accordance with the provisions of the Certificates, notice is hereby given that the rate of interest for the period from 19th March 1986 to 19th June 1986 has been established at 7"/... per cent per annum. The interest payment date will be 19th June 1986.

Payment which will amount to US \$4,911.46 per

Certificate, will be made against the relative



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NOTICE IS HEREBY GIVEN that the 114th Annual General Meeting will be held in the Folice Suisse of Schandlons, "Festival" Poine Suisse of Schandflore, "Festissed" Measseletz, Basile on Viceinesday, 2nd Apri 1966 at 3pm to receive the Chrectore Treport and the Salambe Stept and the Auditors' Report for the year 1965, to consider and approve these reports, to elect Members of the Board of Directore, to pease Resolutions tagenting the effection of profits and to declare a directory.

To approve the issue of 814,878 new bearer staures and 854,281 new registered shares of SFF 190 normal at a price of SFF 280 to extend of the proportion of one new bearer staures and 854,281 new reporting of one new bearer or registered shares or SFF 190 normal at a price of SFF 280 to extend of share for the proportion of one new bearer or registered shares for every fineen bearer for every fineen be or one new center of Rejistented share for every filtern bears or registered shares held and ranking for dividend from 1st January 1988. To approve a further issue of 642,943 bears pericipation units of SF+ 100 reprimi at a price of SF+ 260 to edisting holders in the proportion of one new participation unit for welly these held and ranking for dividend from 1st Jennary 1988. Authority will also be sought for the issue of 600,000 new bears and 600,000 new mediatered shares of SE+ 400.

subscription rights to existing share and unit holders and the issue of a machinari of 1,600,000 new participation units of SFr 700 nominal, with no prelevential subscription rights to execute share and unit holders. To

U.S. \$200,000,000 J.P. Morgan & Co. Incorporated Floating Rate Subordinated Capital Notes Due December 1997

Notice is hereby given that the Rate of Interest has been fixed at 7.55% p.a. and that the interest payable on the relevant Interest Payment Date, June 19, 1986 against Coupon No. 2 in respect of US\$10,000 nominal of the Notes will be US\$192.94 and in respect of US\$250,000 nominal of the Notes will be US\$4.823.61. March 19, 1986, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

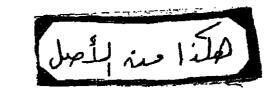
U.S. \$250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE SEPTEMBER 1996 Citicorp Overseas Finance Corporation N.V.

orporated with limited liability in the Netherlands Antilles Unconditionally guaranteed by CITICORPO

Notice is hereby given that the Rate of Interest has been fixed at 7% 6% and that the interest payable on the relevant Interest Payment Date, June 19, 1986, against Coupan No. 7 in respect of US\$50,000 naminal of the Notes will be US\$966.32 and in respect of US\$10,000 nominal of the Notes will be US\$193.26.

March 19, 1986, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBAN(C



Bank of America International Limited

### INTL. COMPANIES & FINANCE

## Bell wins tactical round in BHP takeover battle

BY JOHN MALWRAITH IN PERTH

MR ROBERT Holmes & Court, the Perth businessman who is the Ferra russussman was is seeking a commanding stake in Broken Hill Proprietary (BHP), scored a surprice tac-tical victory over his quarry at a shareholedst meeting yester-day of Bell Resources, his vehicle for the partial bid.

He revealed to the meeting that his Bell Group had itself sold about 1m shares in Bell Resources, its energy affiliate, to an unsuspecting BHP. As to an unsuspecting BHP. As part of its attempts to thwart his proposed bid. BHP had spent A\$140m (US\$122.7m) in buying more than 23m shares in Bell Resourcess equivalent to nearly 19 per cent.

Mr Holmes à Court said the sale of a stake to BHP had made Australia's largest company an effective associate of

made Australia's largest com-pany an effective associate of the Bell empire — thus making it impossible for BHP to carry out its threat to block a plan-ned placement of Bell Resources shares to the parent

s 1990

A.S (grie

Bell Group.
With its holding, BHP had been expected to dominate the minority shareholdings in Bell Resources. The placing of 120m shares had been described by Holmes à Court as a condition which attached to a loan sure there would be no

SHELL AUSTRALIA, a unit of Royal Dutch/Shell, pushed net profits to A\$66.8m (US\$47.4m) in 1985 from A\$65.2m on revenue up 20 per cent at A\$4.96bn, Reuter reports from Melbourne. It said 1986 is expected to be difficult, with Shell facing stock losses from the drop in crude prices.

crude prices. Exploration and investment spending rose to A\$624m from A\$253m, with A\$234m spent on raising its stake in Woodside Petroleum, operator of the North-West Shelf gas project to 40 per cent. It controls Woodside jointly with BHP.

arranged for the bid through Standard Chartered Bank. The bid itself was made conditional on the placement,

But at yesterday's packed meeting, Mr Holmes a Court said the bank had warved this condition. If, as seems likely, he and his board remove this placement as a condition of the bid itself, the hitch would be irrelevant in the short term. However, in order to make

obstacle. Mr Holmes à Court arranged an on-market sale of more than 1m shares to BHP, which was not immediately able

to detect the vendor.
Under recent rulings of Australian corporate affairs authorities, this would make Bell Resources and BHP technically associates, probably blocking the exercise of BHP's block of votes.

Mr Holmes à Court, who said he had the power to reject votes and proxies that might be "defective," instead chose to adjourn the meeting for four weeks, by which time it is likely that the fate of his bid will have been decided. It now hinges on decisions to be made elsewhere — an expected compromise between parties in Australia's federal parliament that would permit the bid to proceed, and the outcome of an action in the

Mr Holmes à Court, who said

come of an action in the Victoria supreme court. The meeting had the touch The meeting had the touch of theatricality expected of Mr Holmes à Court. With apparent cordiality he welcomed BHP as a "new major shareholder" and added that the purchase of such a big part of Bell Resources "must represent the high water mark of BHP's recent acquisition programme"

## 60-day respite for Wah Kwong

BY ANDREW FISHER IN HONG KONG

WAH KWONG, the troubled will be used to pay interest to line made available to it by Hong Kong shipping company banks.

Standard Chartered Bank and Hong Kong shipping company with debts of US\$820m, said yesterday it is to be given 60 days by its creditors to come up with a restructuring plan.

plan.

The payment plan is likely to delivery of nin be signed by the company and interest payment plan will be its banks on April 1. The group Taiwan and Sou operated. Charter hire funds will contribute the \$10m credit still to be made.

Bank of Tokyo.

The credit line will be sup-

banks.

Both Citibank of the US, which arrested two ships in the Wah Kwong fleet, and Lloyds Bank of the UK which arrested ported by cash collateral of some \$5m from the Chao family. with a restructuring plan.

This breathing space is shorter than the 90 days proposed at the end of February.

But Amex Asia, the US arrest of one ship which still of non-shipping assets to the has a profitable charter. The shipping company in the past other arrests will go ahead and six mouths.

A decision on whether to take

delivery of nine ships—being built for the company in Japan, Taiwan and South Korea—has

### Tan's Supreme deal lapses

THE DEAL under which the Malaysian Associated Chinese Chambers of Commerce and Industry was to buy a strategic stake in Supreme Corporation from Grand United Holdings (GUH), the master company of Mr Tan Koon' Swan, has been allowed to lapse following dis-agreement over the final terms. A chamber official said Mr Tan and the GUH directors felt

### **Tel Aviv SE halts trading**

BY LYNNE RICHARDSON IN TEL AVIV

on investment profits.

I local newspapers had carried cancelled.

The atmosphere was calmed the Prime Minister, was in somewhat by a statement from favour of introducing a capital the Prime Minister's office gains tax—a move which had been suggested by other Labour to the recently announced taxes assurances, on education and social benefits. expected to After two hours of trading, an today,

TRADING on the Tel Aviv exchange official described as Stock Exchange was suspended carrying an element of panic, yesterday amid fears of the management board decided impending imposition of a tax to halt all dealings. Buy and sell

somewhat by a statement from the Prime Minister's office which denied that Mr. Peres was considering a tax party members of the Knesset The Stock Exchange official (parliament) as an alternative said that in light of these

was ormal trading

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### Bourag rescue talks at crucial stage

By Kieran Cooke in Jakarta

TWO SENIOR officials from Britain's Export Credits Guarantee Department (ECGD) have been doing the rounds of Jakarta boardrooms this month trying to sort out the problems of Bouraq, one of Indonesia's largest internal airlines.

Central to the issue are six 748 turbo-prop aircraft pur chased from British Aerospace (BAe) in the early 1980s. The deal, worth more than \$50m, was supported by the ECGD and managed by Cittbank. But Bourag is in trouble and over much of the past 18 months debt payments for the aircraft have had to be rescheduled.
"Bourag's collapse has only been put off by the indulgence of its creditors," said one aerospace analyst.

Bouraq began operations in 1971, servicing routes mostly in the eastern half of the vast Indonesian archipelago. Based papan on the island of Kalimantan, Bouraq came to play a central part in the development of Indonesia's airline business alongside Garuda, the state

With its 19-strong fleet of 748s plus a number of Viscounts and smaller aircraft, it has pioneered several routes, offering cheaper fares to thousands of inter-island migrants and non-business travellers. Company officials say turnover is well over \$30m a year.

Bouraq is a private company wholly owned by Mr Jerry Sumendap, one of the country's leading pribumi — or Chinese — business preneurs. Mr Sumendap has interests primarily in timber

### Limping along

The first inkling that all was not well with Bourag came in mid-1984 when delays started on monthly repayments for the six BA 748s. By December, 1985, Bouraq failed to pay the insurance on its aircraft: frantic negotiations followed and a revised repayment schedule was drawn up. Since that time the airline has limped along from creditors' meeting to creditors

The situation in the late 1970s was very different. Then, passenger traffic in Indonesia—amid the oil boom—was increasing by as much as 20 per cent each year. Bouraq, Garuda and then significant products and statement of the signi other airlines undertook major expansion programmes. But the boom faded. By 1983 the growth in passenger traffic had dropped sharply—just at the time when Bouraq was taking delivery of

A 27 per cent devaluation of the rupiah, the Indonesian cur-rency, in early 1983 plus re-moval of fuel subsidies did further damage to the airline's financial health.

In the late 1970s the ECGD, BAe and Citibank all partici-pated in extensive surveys of Bourag's routes, fare structure and potential growth. All concluded that the company had a good future and the purchase of the new aircraft was justified.

Even with the reduction in passenger growth in recent years, most feel that Bouraq is a viable company. Load factors are still adequate and operation-ally at least, the company is well run.

### 'A nightmare'

Last year accountants Ernst & Whinney were asked by creditors to do a report on Bouraq. The conclusions of the confidential report were "a bloody nightmare," according to one creditor. The report apparently indicated serious mismanagement, no proper book-keeping and unexplained losses of revenue. Bouraq's debts are now said to be in excess of \$60m.

Successive creditors' meetings in London and Singapore have suggested various remedial have suggested various remedial measures, including selling off some of the Bouraq fleet. Mr Sumendap has remained confident throughout, "There are no problems—we are considering new routes to Australia, perhaps using jets," he said late last year.

The ECGD, Citibank and BAe do not want to see Bourak fall. Even if the six 748s are forcibly recovered their value

rail. Even if the six 748s are forcibly recovered their value will have been sharply reduced, especially if suggestions that some might have been cannabalised for spares are proved correct. Legal action would be time-consuming and would perhaps not be utimately worth-while.

Above all, BAe is keenly aware of the sensitivities involved: over the past few years it has made considerable inroads into the Indonsian market. BAe has soid the Indonesian between the lands of the l Indonesian air force one batch of Hawk trainers and hopes to sell another in the near future. In the past 18 months it has sold more than \$220m worth of its Rapier missiles to the Indonesian army. In the middle of this year President Suharto is due to take delivery of a VIP version of BAe's new 146

100-seater jet. Discussions are believed to be reaching a crucial stage: one option now being considered is the sale of Bourag to a company connected to Mr Suharto's This notice complies with the requirements of the Council of The Stock Exchange and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.



## U.S. \$250,000,000 Kingdom of Sweden

85/8% Bonds Due 2016

The following have agreed to purchase the Notes:

Salomon Brothers International Limited

Morgan Stanley International

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Mitsubishi Trust & Banking Corporation (Europe) S.A. Nomura International Limited

Shearson Lehman Brothers International, Inc. Swiss Bank Corporation International Limited

19th March, 1986

Banque Nationale de Paris **Credit Suisse First Boston Limited Enskilda Securities** 

> Morgan Guaranty Ltd PK Christiania Bank (UK) Ltd.

Merrill Lynch International & Co.

Svenska International Limited S. G. Warburg & Co. Ltd.

Application has been made to the Council of The Stock Exchange for the Notes, issued at a price of 100 per cent., to be admitted Interest on the Notes, calculated as set out in the Listing Particulars dated 18th March, 1986, is payable annually in arrears. The

first payment falls due on 25th March, 1987. Listing Particulars relating to the Notes are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 21st March, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 2nd April, 1986 from:

> **Bankers Trust Company Dashwood House** 69 Old Broad Street

Hoare Govett Ltd. Heron House 319/325 High Holborn



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### Marubeni U.K. P.L.C.

U.S.\$50,000,000

81/2 per cent. Guaranteed Notes 1991

The Notes will be unconditionally and irrevocably guaranteed by

The Fuji Bank, Limited (incorporated with limited liability in Japan)

Issue Price 101 per cent.

The following have agreed to subscribe or procure subscribers for the Notes:

Yamaichi International (Europe) Limited

Fuii International Finance Limited

Algemene Bank Nederland N.V. Bank of Tokyo International Limited

Credit Commercial de France Dresdner Bank Aktiengesellschaft Samuel Montagu & Co. Limited

Nomura International Limited

Kleinwort, Benson Limited BankAmerica Capital Markets Group

Citicorp Investment Bank Limited Credit Suisse First Boston Limited Hill Samuel & Co. Limited

Morgan Stanley International

J. Henry Schroder Wagg & Co. Limited

Union Bank of Switzerland (Securities) Limited

Application has been made for the Notes, in bearer form in the denomination of US\$5,000 each, constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global Note. Interest will be payable annually in arrears on 25th March in each year. The first interest payment will be due on 25th March, 1987.

Particulars of the Notes and the Issuer are available in the statistical services of Extel Statistical Services Limited. Copies of the listing particulars relating to the Notes may be obtained in the form of an Extel Card during usual business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the Quotations Department of The Stock Exchange, Throgmorton Street, London, EC2P 2BT, up to and including 21st March, 1986 or during usual business hours on any weekday (Saturdays and public holidays excepted) at the addresses shown below up to and including 1st April, 1986:—

Cazenove & Co., 12 Tokenkouse Yard, London EC2R 7AN.

Citibank, N.A., Citibank House, 336 Strand, London WC2R 1HB.

19th March, 1986



The Australian Industry Development Corporation (A statutory corporation, wholly owned and guaranteed by the Commonwealth of Australia)

U.S.\$100,000,000 11% PER CENT. NOTES DUE 1990

NOTICE IS HEREBY GIVEN that, pursuant to Condition 6(b) of NOTICE IS HEREBY GIVEN that, pursuant to Condition (d) of the Notes, Chibank N.A. as Fiscal Agent, has selected by lot for redemption on April 3, 1986 US\$16,000,000 principal amount of said Notes at the redemption price of 101% of the principal amount thereof, together with accrued interest from February 28, 1986 to April 3, 1986 (32 days), The value of each Note is US\$5,050 plus interest of US\$52.78 total US\$5,102.78. Outstanding Bonds bearing serial numbers ending in any of the following two digits have been selected by lot for redemption: 2 7 9 26 31 34 37 38 39 49 58 61 68 77 82 00.

Payment will be made upon surrender of Notes together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Notes. On and after April 3, 1986 interest on the Notes will cease to accrue and unmatured coupons will become void.
Outstanding after April 3, 1986 US\$43,000,000.

Murch 19, 1986 By Citibank, N.A. (CSSI Dept.) London Fiscal Agent

**CITIBANG** 

## Standard & Chartered

Standard Chartered PLC (Incorporated with limited liability in England)

£300,000,000 Undated Primary Capital Floating Rate Notes of which £150,000,000 comprises the Initial Tranche.

in accordance with the Terms and Conditions of the Notes, notice is hereby given that for the three months period (92 days) from 18th March to 18th June, 1986, the Notes will carry an interest Rate of  $11^{15}$ /s per cent. per annum.

The interest payment date will be 18th June, 1986. Coupon No. 4 will therefore be payable on 18th June, 1986 at E1,504.45 per coupon from Notes of E50,000 nominal and E150.45 per coupon from Notes of E5,000 nominal.



J. Henry Schroder Wagg & Co. Limited

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## INTERNATIONAL COMPANIES and FINANCE

## Swiss put imagination | Manufacturers Hanover launches \$150m floater into borrowing

BY JOHN WICKS IN ZURICH

diversification on the once con-servative Swiss capital market. warrants exchangeable into 100 Gradually, a broad selection of gramme bars of gold.

This greater borrowing flexibility has allowed fixed-interest bonds to share in the recent bonanza in Swiss share markets bonanza in Swiss snare markets through the issue of warrant bonds and notes. Subscriptions have been heavy and secondary-market trading—not least for the warrants themselves—lively, not to say volatile.

not to say volatile.

In domestic bonds, business really took off last summer. A key role was played by the banks, traditionally the most important category of private-enterprise borrowers. Between last July and September, bank warrant issues totalled a nominal SFr 1.15bn, of which SFr 775m took the form of subordinated bonds, counting as capital for equity-ratio purposes.

Issue volume has slackened this year—in the first quarter it is likely that domestic war-rant-bond floats will amount to SFr 400m—primarily because the banks have kept out of the market. The fall is the dollar means a shrinkage of potential balance sheets and removes the necessity for further capital.

### Confidence booster

It remains to be seen how the market will develop. Zurich Cantonal Bank's Kurt Mueller expresses some misgivings at the sheer volume of the market, which he says is showing signs of saturation. Mr Mueller also points to the very low coupons and the partially exorbitant prices for warrants.

The Swiss share index is currently 7 per cent below its January high of 625.5. Still, the current season of annual results and shareholders' meeting should boost confidence in Swiss companies in view of generally improved corporate earnings and dividends.

imaginative new warrant issue came from Bank Leu, the

THE PAST few years have Five. Last month, the bank seen a remarkable degree of raised SFr 100m in 2.75 per

Gradually, a broad selection of long and medium-term borrowing instruments has found a place on Switzerland's tombstones, so that today's publicissue calendars are fraught with footnotes. What National Bank president Mr Pierre Languetin once called a "financial Kama Sutra" is very much in evidence.

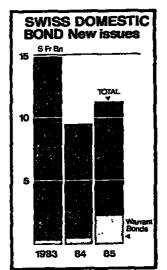
This greater borrowing flexibility has allowed fixed-interest gramme bars of gold.

Foreign borrowers' warrant floans have had less impact. They amounted to only some SFr 420m for the whole of last year and will probably raise spear and will probably raise spear for the whole of last year and will probably raise spear and will probable spear and will probable spe

### Foreign presence

The real foreign presence in warrant securities is in mediumterm notes. This category is dominated by Japanese borrowers, who last year accounted for 60 per cent of the SFr 19.45bn notes market. A substantial share of all Japanese frame private placements is in franc private placements is in the form of warrant notes. The volume of these jumped from just under SFr 1bn in 1984 to some SFr 2.64bn last year.

This growth has continued into 1986. In the first quarter, all warrant notes—a total of



SFr 830m — had Japanese addresses. Mr Jules Keller, of the Geneva-based issue manager Soditic, believes that warrant issues will remain very attrac-tive given the possibility of trading in the separated war-rants. Every Japanese float continues to meet with success.

Goldman Sachs International Corp.

Swiss Volksbank

14th February, 1986

Union Bank of Switzerland (Securities) Limited

borrowers with a 12-year deal for Manufacturers Hanover. The issue is for \$150m and pays interest at a rate of ‡ per cent above the three-month London interbank bid rate (Libib). It is priced at par and is callable at par after three years. Com-missions total 55 basis points.

This issue came in the wake of a revival of buying in US bank names, after the heavy selling of recent months. Although the issue was quoted at levels outside its commissions yesterday afternoon, market participants expect interest to pick up and further such issues could appear.

Late on Monday night Unilever NV launched an issue of \$90m, to be swapped into Swiss francs. The seven-year bond pays a coupon of 73 per cent and has an issue price of 101 per cent, giving a cost inclusive of fees at issue of 15 basis points over comparable US Treasury bonds.

While this pricing struck 0.70 per cent.
bankers as tight, lead-manager Lead-manage Union Bank of Switzerland pointed to Unilever's "quintes-sential retail name" as justification. The bonds were, however, quoted at levels outside total fees yesterday after-

Falls in New York prices, Morgan Guaranty brought a prompted by a rise in the spot \$75m five-year issue for Trust-tomo Metal Industries followed price of oil, opened up swap huose Forte, also destined for up Monday's straight fixed-rate opportunities for would-be bor- a swap. The issue carries a Y12bn issue with a "reverse

cent fees over relevant

Victoria Finance issued a \$100m 101-year bond, guaran-991. Taking in fees of 2 per cent, the yield margin over 10year Treasuries at issue was

Lead-manager Morgan Stanley described the pricing as classical for a high-quality borrower, and said the issue was quickly being sold out. It was quoted at levels inside total ommissions yesterday after-

Treasury yields of about 100 The exchange rate has been set

teed by the State of Victoria, manager. The deal bears a 54 Australia. The coupon is 82 per cent coupon over five years per cent and the issue price and an issue price of 1014, but it contains a special feature in that the principal amount will be higher than par if the yen weakens below 263.55 to the dollar and smaller if strengthens above 90.01.

Following strong demand for Citicorp's issue of warrants into C. Itoh's shares, the number of warrants was increased by 25 per cent to 100,000 yesterday.

In the D-Mark sector four tranches of zero-coupon bonds with a redemption value of DM 2.1bn were issued for Baden-

The first 20-year tranche is for a nominal DM 517.8m and is priced at 27 to give a yield at issue of 6.77 per cent. The second DM 219m 25-year tranche is priced at 22 providing a yield of 6.24. There is a 35-year tranche for a nominal DM 517.8m with an issue price of 12.55, yielding 6.11. Finally, the 40-year tranche, for DM 850m, is priced at 9.70 to give

a yield of 6.01 per cent. There is no 30-year tranche

CREDIT SUISSE First Boston rowers of fixed rate dollar coupon of 8½ per cent and is dual-currency note." This is for Wuerttemberg, the West Ger-because outstanding similar yesterday reopened the floating bonds, and several such issues priced at 100½ per cent, giving five years and is issued and man state. The bonds will be recent issues give investors access to this maturity already. The name of the Jersey-based access to this maturity already. The name of the Jersey-based access to this maturity already. redeemed in yen, but pays 7
per cent coupons in dollars.
The exchange rate has been set at YISO to the dollar.

Denmark launched a Y10bn issue with Yamaichi as leadmanager. The deal beers a 54 per cent coupon over five years and an issue price of 1014, but the coupon over five years and an issue price of 1014, but investors.

In the name of the Jersey-based access to this maturity already.

Investors are expected to be attracted by the volatility provided by the long tranche, which is the longest D-mark bond issue in recent years. West ments for the first 10 years will switching out of other holdings of zero-coupon bonds into these vesterday afternoon.

yesterday afternoon.
The European Investment
Bank launched a FI 300m issue into the domestic market, led by Amsterdam-Rotterdam Bank. The 10-year bond pays interest at 61 per cent and is the first non-callable issue for a foreign borrower,

The first Kuwaiti dinar issue of the year was launched by Burgan Bank for the Kuwaitibased company, International Financial Advisers. It is for KD 2m only and pays interest at 81 per cent over five years.

### Mitsubishi Trust arranges \$1bn CD issuance deal

BY OUR EUROMARKETS CORRESPONDENT

MITSUBISHI Trust and Banking Corporation is to launch a \$1bn certificate of deposit issuance programme, believed to be the largest of its type to date.

programme follows similar smaller operations by a number of Japanese banks recently, including Sumitomo Trust and Banking which last month launched a \$750m pro-

Like that programme the Mitsubishi Trust deal has been arranged by Salomon Brothers. reaching the equivalent of Dealers in the certificates will also include Merrill Lynch. Capital Markets, Morgan Stanley reflects particularly strong properties of the control of the cont Lehman Brothers International. ment and securities trading

Separately Mitsubishi Trust said it also plans to strengthen its capital base later in the spring through the issue of a \$100m convertible eurobond, the first such bond to be issued by a Japanese trust bank.
Mitsubishi Trust is the largest of the seven Japanese trust banks. At September 30 last year its total assets amounted

to \$80.55bm. Operating profit for the year ending March 31 is expected to double over the previous year

## **Facility for Japan exports**

Toyo Trust International Limited

Yamaichi International (Europe) Limited

BY CARLA RAPOPORT IN TOKYO

finally given approval to Japan's stitute new or extra funds.

Exim Bank to lend money in Exim Bank yesterday refused Exim Bank to lend money in US dollars to Japanese exporters. The decision, which has been long sought by the business community, is one of a number of recent moves aimed at easing the affects of the rapid rise of the yen on Japan's exporters.

Moreover borrowers and their anderwriters are not short of ideas. Without doubt the most imaginative new warrant issue came from Bank Leu, the smallest of Switzerland's Big at the same time, Japan is I Last year, the Exim Bank lent the equivalent of about the most convertible notes. Their issue came from Bank Leu, the smallest of Switzerland's Big at the same time, Japan is lent the equivalent of about an informal application for the \$2.4bn to exporters. It is understood that the dollar lending. Corporation, which plans to sell facility will be included in the a coal-burning power plant to total amount of funds available.

THE MINISTRY of Finance has for lending and will not con to speculate on the amount of money they would lend. But it is understood that the bank is considering lending around \$200 to \$300m to exporters.

These funds are expected to be raised on the Eurodollar market, but the bank says it has not yet finally different to the formula of the parameters.

not yet finalised its borrowing plans. It has already received an informal application for the

### Japanese **brokers** see record

By Yoko Shibata in Tokyo JAPAN'S big four securities'

houses all expect record pre-tax profits in the first half to March 1986, with com-bined earnings ahead by 25 per cent to Y353bn (\$2.02bn). The performance is being supported by higher stock and

bond prices resulting from lower interest rates world-wide. An expanded volume of bond transactions has been of particular benefit, and hond-related income at Nomura, Daiwa and Nikko is likely to surpass profits at their equity divisions for the

first time.

Securities house earnings growth has been accelerated by the latest upsurge of the bond markets triggered by concerted interest rate cuts by West Germany, Japan and the US early this month. Nomura Securities, the largest, is expected to achieve

half-year pro-tax profits of Y130bu, up 23.5 per cent. Daiwa is likely to follow with Y90bn, up 33 per cent; Nikko at Y70bu, up 13 per cent, and Yamaichi at Y60m, ahead by 22 per cent.

In view of bullish stock markets both at home and abroad, and the possibility of further advances by the bond market which would follow another cut in official discount rates, it is considered almost certain that the big four securities houses will also hieve record profits for the full year to September. ...

### Saudi British **Bank** profits plunge 91%

SAUDI BRITISH Bank showed a 91.5 per cent fall in net profits last year, partly because it substantially reinforced bad loan provisions.

The bank, 40 per centowned by British Bank of the Widdle Part and 50 per cent

Middle East and 60 per cent by Saudi nationals, trans-formed its 104.9m (\$28.73m) operating profit into a net profit of 9.05m riyals by putting 95.9m riyals into provisions for credit In 1984 it reported of 100.44m riyals, profits of 100.44m rivals, after 65.1m rivals had been set aside as provisions. Expenses rose 3 per cent to 215m riyals (\$58.9m). Personnel costs were down 1.4 per cent but depreciation on buildings rose 24 per cent with the completion of the

Total assets were 8.18bn riyals, up 12.9 per cent. Loans were down 3 per cent to 3.31bn riyals, of which the construction sector accounted for 23.6 per cent

The average return on assets was 1.36 per cent for 1985 compared with 2.36 per cent in 1984. Average return on equity was 16.8 per cent against 25 per cent.

## US QUARTERLIES

	Fourth quarter	1985	1984
- 1	100 40	S	5
	Revenue	7.4bn	1.3bn
	Net profits	88.1m	91.7m
	Not per share	3.89	4.37
	Yest		
i	Revenue	4.1bn	4bn
	Net profits	159.3m	140.7m
- 1	Net per share	7.40	6.71
1			
	UNITED BRANDS		
- 1	Food - processing		
	Third quarter	1985-86	1984-85
	1,1112 422.222	\$	5
	Revenue	744.7m	802.9m
	Net profits	11.1m	1.6m
	Net per share	10.11	0.09
	Nine months	,	
	Revanus	2.28hm	2.42bn
i	Net profits		
	Net por share	. 177	0.78
	Net por snare	1.37	0.70
i			
	JIM WALTER		
	Building materials, hor	neş	
		1985 88	1004 OE
- 1	995043 director	1303-05	1304-03
- 1	B		526.3m
	Revenue	18 3m	15m
	Net profits		0.55
- 1	Net per share	0.62	0.35
	Six months		!
	Revenue	1.1bn	
,	Nec profits		
- 1	Net per share	1.78	1.54
	WEST POINT PEPPEREL		
	Textiles	-	
.			
	Second quarter	1985-86	1984-85
- 1	· ·	S	S
	Revonue	425.0m	263.1m
	Net prolits	11.3m	720.000
i	Not por share	0.91	0.07

## Sweden prepares US domestic commercial paper programme

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

SWEDEN is preparing to launch he said. a borrowing programme in the US domestic commercial paper

the lines of the sovereign notes issues of paper already undertaken by Denmark and Spain to choose between the domestic amounts of commercial will provide Sweden with a market and the Euromarket sold in the US would further opportunity to diversify its sources of foreign borbowing. It had been planned So far this year the K

Mr Nirden said the paper would be launched later in the spring but he declined to men-tion a possible amount. Sweden euronote sales.

It has appointed First Boston, us domestic commercial paper Salomon Brothers and Shearson market, Mr Goran Nirden, act Lehman to act as dealers under ing head of the international the programme, the back-up for loans department at the which will be provided by the National Debt Office said \$.8bn standby credit facility yesterday.

The programme will be along leadership of Chase Manhattan.

Mr Nirden said the US paper programme would allow Sweden for some time but he denied that the decision had been taken because of dissatisfaction with rates obtained under its

cause of dissatisfaction with the rates offered and partly because its successful fixed-rate borrowing had reduced its need for

Mr Nirden said there were no plans to appoint dealers in Eurocommercial paper as an alternative to the tender panel sysem under which banks bid for Euronotes at auction. The amounts of commercial paper sold in the US would also

So far this year the Kingdom of Sweden has made net repayments of SKr 3.4bn from its foreign debt. Gross borrowing has ben high, however, as two tion a possible amount. Sweden is currently concentrating on fixed rate borrowings given the low level of world interest rates,

### FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

												Clos	ing p	rices	on	Mar	ch :	
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	Spread	Bid	Offer	C. dte	C.epn
Anglia 8ldg. S. 5 98 f	E Ol	99.86	99.96	14/4	11%
Belgium, Kngdm, of 9	1 0	100.14	100.24	19/8	8.06
BNP 54 95	. 0.05	101.17	101.27	10/7	
Britannia 5 93 £		99.87	99.97	8/4	175
CCF 54 97	. o`	99.39	99.48	5/4	
Citicorp 5 2005		99.14	99.24	27/3	
Citicorp 5 2035		98.10	98.20	27/3	
Credit Lyonnais 5 2000		100.18	100.28		
EEC 3 92 DM		100.01		10/7	
		99.99	100.11	20/8	4.44
EEC 5 90			100.09	8/7	8.06
EEC 54 93 Ecu		99.84	\$0,00	30/4	
ENEL 5 2000		100.17	100.27	1/3	
Ireland 54 97		100.18	100.28	28/2	8.44
Lioyda Benk Perp		100.17	100.27	9/6	8,7
Midland Bk. Perp. 5		100.01	100.11	19/6	84
NatWest Perp. A		100.12	100.22	9/7	8.31
NatWest Perp. B,	. ξ0ι₄	100.15	100.25	9/8	874
New Zealand 5 97 £	0.07	99.86	99.96	16/3	11.57
New Zealand 5 2001		99.93	100.03	4/8	87.
Prudentiel Cpn. 4 95 f	E 0.1	99.65	99.75	5/3	11.78
R. Bk. Scotland 5 Pero		700.10	100.20	11/8	8.44
Societe Generale 514 97	7 01-	100.05	100.15	18/3	8%
United Kingdom \$ 92	. 0 _	100.04	100.14	7/7	8.06
Woodside Fin. 54 97		99,48	99.58	28/7	8.19
Woolwich 5 95 £		99.53	99.63	19/5	11.69
A.m					

Average price changes (	on day -0.00 on wk, +0.01
CONVERTIBLE CITY. BONDS data	Cnv. Chg.
BONDS date i	price Bid Offer day Prem
Ajinimoto 3 99 4/84	1053 1801, 1811, +21, 7.03
Comcast 7 200012/85	23.87 1120 121 0 11.73
Fanuc 31 98 1/84	7032 2021, 2031, -31, 58.82
Furi Hvy. Inds. 3 2000 8/85	676 104 2 105 2 - 0 4 2.15
Fujitsu 3 99 5/84	1320 1042 1052 -2 8.86
Kumagai Gumi 31, 2000 3/85	600 2491, 2501, +131, 13.18
Marul 31, 99 7/84	
Minolta Camera 24, 94 2/86	1105 981 991 -04 23.75
Mitsubishi Bank 27, 00 8/85	
Mitsubishi Elec. 27, 00 3/85 Mitsui Bank 27, 01 4/88 1	
Murata 31, 2000 7/84	
Nippen Elec. 27 2000 1/85	
Nippon Oil Co. 3 2000 5/85	
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Sanwa Benk 24 200010/85	
Sekisui House 3 99, 6/84	612 2201, 2211, +124 4.20
Sumitomo Bk. 21, 2000 8/85	2124 1204 1214 + 34 - 1.92
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Asics 5 92 DM12/83	520 110 111 -14 14 35

No information available—previous day's price.

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Floating Rata Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte—Date naxt coupon becomes effective. Spread—Margin above six-month offered rate (t three-month: \$ above mean rate) for US dollars. C con—The current coupon. Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. dey—Change on dey. Cnv. date—First date for conversion into sheres. Cnv. prico—Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem—Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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### **BARCLAYS BANK PLC**

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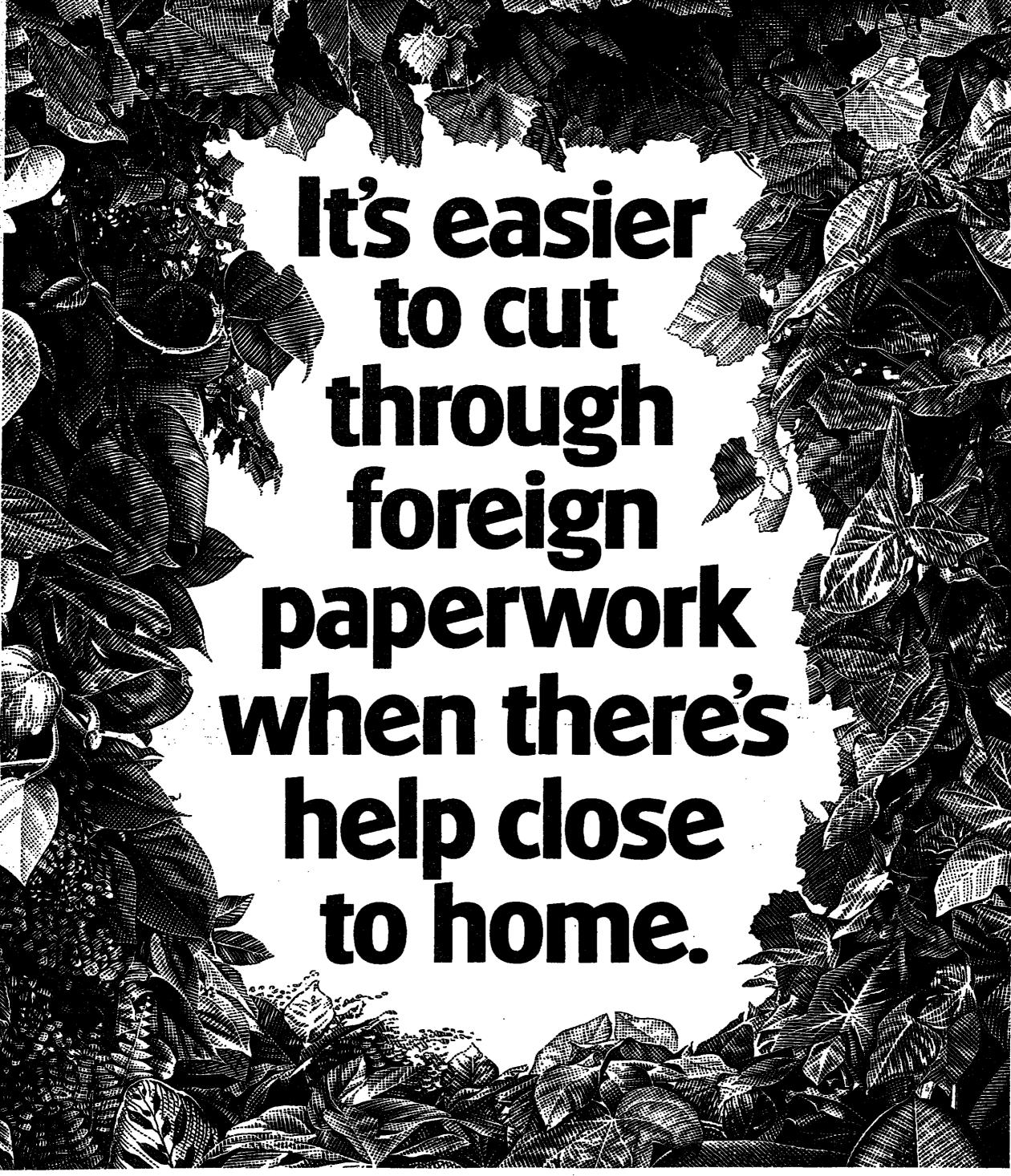
(Incorporated with limited liability in England)

**U.S.** \$750,000,000

**Undated Floating Rate Primary Capital Notes Series 2** 

### **Barclays Merchant Bank Limited** Salomon Brothers International Limited

S. G. Warburg & Co. Ltd. Shearson Lehman Brothers International Bank Leu International Ltd. Algemene Bank Nederland N.V. Banque Bruxelles Lambert S.A. **Bank of Tokyo International Limited** Banque Nationale de Paris Banque Internationale à Luxembourg S.A. Chase Investment Bank **Banque Paribas Capital Markets Limited** Citicorp Investment Bank Limited County Bank Limited Crédit Commercial de France Daiwa Europe Limited Dai-Ichi Kangyo International Limited Genossenschaftliche Zentralbank AG Dresdner Bank Aktiengesellschaft IBJ International Limited Girozentrale und Bank der österreichischen Sparkassen
Aktiengeselischaft L'loyds Merchant Bank Limited Kidder, Peabody International Limited Mitsui Finance International Limited Merrill Lynch Capital Markets Morgan Grenfell & Co. Limited Samuel Montagu & Co. Limited Nederlandsche Middenstandsbank nv Morgan Stanley International Nomura International Limited The Nikko Securities Co., (Europe) Ltd. Standard Chartered Merchant Bank Orion Royal Bank Limited Société Générale Swiss Bank Corporation International Limited Sumitomo Finance International



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## Exco offshoot agrees to settle £30m share deal

BY CHARLES BATCHELOR

W. L Carr (Overseas) (Wico), the Far East stockbroking arm of Exco International, has agreed to settle a £30m share deal in Tokyo following the alleged failure of a corporate client to settle the bargain

Wico could be faced with a potential loss of about £2.5m if it had to settle the deal at the current price of the shares

Mr Bill Matthews, Exco chair- per share. man, said: "We do not yet have a realised loss until we settle e account, probably tomorrow. It could be a sizeable sum in terms of WICO but it will not be significant for Exco. We have said we are standing behind WICO."

Exco disclosed Wico's difficulties yesterday in a statement intended to halt a growing stream of rumours from the Far East which had led to a fall in its share price in London. Exco's shares slumped 20p to

Railway Company for Japanese corporate client. Wico, which is not a member

of the Tokyo Stock Exchange, bought the shares in several large parcels at around Y1,300 (702p) per share but the client then allegedly failed to settle. Wico has agreed to settle the bargain on behalf of its client although the Nankai share price has since fallen to about Y1,650

"We have no idea what losses we will incur," Mr Matthews said. "I guess our recourse will be to our client. We have instructed lawyers in Tokyo."

He declined to name the corporate client involved but said it had been introduced to Wico by someone well-known to the broker. Wico had not acted for the client for very long however and had no clue as to why it had failed to settle.

Exco's shares slumped 20p to
212p before steadying around
222p in afternoon trading.

Mr Matthews said Wico last
week bought about £30m worth

Exco, which is principally
engaged in money-broking,
acquired the Hong Kong-based
Wico operation in 1982 and has
since expanded it to about £5



staff geared mainly towards investing overseas institutional money in Japanese

## US group takes control at Clive

Prodential-Bache Securities of London's financial markets. the US is to take full control of Clive Discount in a deal which values the discount house at £11.95m. The move, announced yesterday, follows the acquisition last year of a one-third stake in Clive and the establishment of a joint primary dealing venture for participa-tion in the reformed British Government securities market. The acquisition is being made

through Bache Group Inc., a Delaware company which owns Prudential Bache Securities. Bache Group, which is owned itself by the giant Prudential Insurance Company of the US. is offering Clive's shareholders 50p in cash for each of their

shares. Mr Nicholas Chamberlen, chairman of Clive, said yester-day that since the initial link was done in May last year the two groups had "grown closer together." He added: "There was no way we felt we could go on as an independent."

Prudential-Bache regards the move as one which consolidates and extends its operations in

important explanation.

stock market growth.

coupon below.

The closer alliance between the two groups has been forged because both sides believe that Clive can only participate fully in the new markets if Clive is wholly-owned by Bache. Once the merger is completed some 40 staff of Clive Discount will join the London operations of Prudential-Bache, which total

over 400. At the time of its initial link with the US group last May, Clive, one of the small group of houses which deal in money market instruments in London, announced a loss of £860,099 for the year ending March 31. It blamed difficult trading con-ditions. Since then Clive has managed to turn round its trad-ing to a break-even position.

Mr Chris de Boer, of P-B Securities, Down, de Boer & Duckett, the London stock-broking arm of the Prudential-Bache, said that the acquisition of Clive would form the nucleus

for growth in the 90s.

Our conference on April 5th offers the individual investor an

We will be assessing the present and future financial climate to

Principal speakers will include Mr. Eliot Fried, head of Shearson

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I would like to apply for \_\_\_\_\_seat(s) for the Shearson Lehman Brothers conference SHEARSON at The Grosvenor House Hotel on 5th April, 9.30 a.m.-12.30 p.m.

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To: Joseph P. Mara, Shearson Lehman Brothers, 12 Upper Grosvenor Street, London WIX 9PA.

economics partner of L. Messel & Co. and contributor to The Times,

Prudential-Bache intends to leading discount house

raise its stake in P-B Securities raise its stake in P-B Securities to 100 per cent in July following the relaxation of the Stock Exchange's rules on outside ownership earlier this month. Prudential - Bache currently holds a 29.9 per cent stake.

P-B Securities Down, de Boer and Probett here extablished to pro-

& Duckett has established two subsidiaries which will operate in the new deregulated securi-ties market: P-BC Gilts, as a primary dealer, and P-B Securities Money Brokers, as a stock exchange money broker. In 1980 there were 11

independent discount houses, but following yesterday's deal left: Gerrard & National, Union Cater Allen and King and

Shazson. In the past six years Allen, Harvey and Ross has merged with Cater Ryder to form Cater Allen; Jessel Toynbee has merged with Gillett Bros, and the combined group was acquired by Mercantile House, the financial conglomerate, in its sterling money market opera-tions. 1984. In that year Mercantile acquired Alexanders, another

How to invest in the 80's

nounced an agreed bid on

the Scottish courts, as the two companies concerned both have their headquarters in Scotland, or in England.

Ecobric shares tumble by 25% ECOBRIC HOLDINGS, a demolition and scrap metal recycling group which rose briefly to national prominence last year when it failed to blow up a block of flats in East London, said yesterday that it knew of no reason for the sudden fall in its share

25 per cent to 9p and the de-ferred shares from 14p to 12p. In the six menths to July 31 1985 the company made pre-tax losses of £75.000 made pre-tax losses of £75,000 against profits of £120,000 in

## ICI chief undaunted by profit

moving into new areas.

sir John, whose pay rose by only 9 per cent last year to £312,991 against a 68 per cent jump in 1984, said ICTs research spending last year was £349m, up 17 per cent. "We are fundamentally a research-based organisation," he said.

Almost a third of R & D

Almost a third of R & D Almost a third of R & D expenditure, £112m, was spent in the pharmaceutical division, giving a ratio to divisional sales of 12 per cent. The heart drug Tenormin joined ICI's other beta blocker Inderal in the world's top 16 selling drugs, Sir John said. The accounts show ICI's continued drift away from employment in the UK. Group employees worldwide rose by

During the past four years

ICI has made 62 acquisitions
and 15 disposals, the most
noteworthy being the
purchase of Beatrice
Chemicals in the US last year.

The years had also seen the

Europe.

Return on assets fell last year, from 19.9 per cent in 1984 to 17.6 per cent. There was also a fall in the asset

### Dawson to sue Coats for costs

By Anthony Moreton Dawson International has taken out a summons against Coats Patons to recover its costs involved in the abortive

Dawson, Kinross-based manufacturer of knitwear under such world-famous names as Pringle, Ballantyne and Braemar, is seeking to recover the £6m involved in its underwriting, legal, advisors and other costs.

The action names both Coats, the Glasgow-based threads and clothes concern which includes Jacger, Country Casuals and Jean Muir among its trading names, and also Mr James McAdam. Coats' chief executive, and Mr Michael Bell, a director.

January 27. A fortnight later Coats lilted Dawson and joined forces with Vanica Viyella to form Coats Viyella. Dawson would not comment on the case last night, saying the matter was now and judice. But it is believed to be the first time the losing side in a takeover has sought te reclaim its costs. It is not yet clear whother the action is being heard in

The ordinary shares fell by

## decline ICI made strong underlying progress last year despite its fall in pre-tax profits, says chairman Sir John Harvey-

Jones in his annual statement. The group is confident of maintaining momentum by operating mature businesses at maximum efficiency and

employees worldwide rose by 3,000 to 118,600. UK jobs, however, fell by 1,400 to 57,200.

The year had also seen the merger of the group's PVC interests with those of the Italian group Enichem, and the disposal of the last polyethylene interests in western Europe.

value per share, from 617p to 538p.

Recent changes announced in company share stakes include: Yorklyde—J. D. Tinker and A. A. Brook, directors, disposed of 47,928 and 52,072 ordinary

shares respectively.
Argyle Trust—J. N. Oppenheim, director, on March 12, purchased 40,000 shares at 46.5p and now holds 3.1m (14.5 per cent). F. G. Calonder, director. on March 12, purchased 10,000 shares at 46.5p and now holds 800,000 (3.74 per cent).

Asda MFI Group—E. G. Bousfield, director, disposed of 17,777 ordinary at 150p. He now holds 476,006 and his wife 175,158 (0.581 per cent).

## Tern Group—On March 14 chairman Mr Reen acquired an additional 100,000 ordinary

Whessee—W. Smart, director, has disposed of 10,000

from former director Mr Harilela, increasing his holding to 300,000 ordinary (12.8 per cent). Muton Bros - T. J. Woods,

director, has purchased 6,000 ordinary shares. British Home Stores-Lister, director, has sold 92,029

ordinary shares at \$20p; J. F. Power, director, sold 171,638 ordinary at 320p.

### **COMPANY NEWS IN BRIEF**

SHARE STAKES

ordinary.

LAING PROPERTIES, property group, was "totally without investment company, increased substance," Last week Dixons, investment company, increased substance." Last week Dixons, pre-tax profits from £13.2m to the electrical retailing chain, £15.5m in 1985. Investment denied rumours that it was income, net of operating costs, increased by £2.8m to £27.6m. Woolworth.

The final dividend is raised for the final dividend is raised. from 3.75p to 4p net for a total SIMS CATERING Butchers has of 7p (6.25p). Shareholders bought W. D. Brabin from equity is reduced by £13m net Edward Billington and Son for to £207.5m as a result of adverse a nominal £1. The USM-quoted exchange movements. The company will also be paying directors anticipate that the £290,000 for Brabin's premises profit trend of recent years will and making a capital injection continue in 1986.

of about £260,000. In the year

to the end of April 1985 Brabin, CLONDALKIN GROUP, invest- which is based in Liverpool, ment holding company, reported a loss before tax of increased its pre-tax profits from I£3.13m to I£3.54m on turnover up from £42.08m to £47.12m in 1985. No final dividend is being paid, but the total is up from 7p to 8.15p. Interest charges rose from £130,000 to £205,000 and there was an exceptional debit of £271,000 (£333,000). Tax took £537,000 against £584,000. There was an extraordinary credit of £374,000 against a debit last time of £122,000. Stated earnings per share rose from 23,45p to

27.48p. CHAMBERS AND FARGUS. seed crusher and edible oil refiner, has returned to a fenner, has returned to a f51,000 profit (loss £70,000) in the half year ended December 28 1985, with the help of an exceptional credit £23,000 (debit £113,000). Sales volume increased but value fell to £8,45m (£9,9m) because of sharply lower world market sharply lower world market prices. Profit shows satisfactry recovery compared with second half of last year and this trend is continuing. Anticipated that a dividend will be paid (nil).

share rose from 23.45p

CORPORATION, supermarkets group, said yes-terday that press speculation it was planning to buy Wool-worth's Holdings, the stores

TOKYO SANYO ELECTRIC CO., LTD. (CDRs)\_ ducted.

10 June 10 Ju

LADBROKE INDEX 1.369-1,373 (+11) Based on FT Index Tel: 01-427 4411

## EEC checks Ferruzzi's Berisford plans

BY LIONEL BARBER

financial advisers to Ferruzzi, the Italian food and agricultural advisers to S & W Berisfeed in an effort to clarify the Italians' intentions towards the UK sugar and commodity trading group.
The meeting follows Barclays' purchase of a 9 per cent stake

in Berisford at a cost of around £39m on Monday. The purchase and on the company's activities was seen as the prelude to a in Europe, where it already confull bid for Berisford by trols 49.76 of the French sugar However, according to a

Commission is studying whether where the Italian company has Ferruzzi's plans to take over yet to provide a detailed plan

Mr Massimo Vitale said that group, yesterday held talks with if Ferruzzi bought Berisford. between 22 and 23 per cent of EEC beet sugar quotas. Mr Vitale added the Commission had invited Ferruzzi to the control sugar. Restrictions on the export of foreign capital mean that Ferruzzi needs to the control sugar. information on the takeover

The potential competition Ferruzzi director, the European problems also apply to Britain,

producer, Beghin-Say.

Ferruzzi is treading carefully in its pursuit of Berisford, that Ferruzzi needs to obtain permission of the Italian authorities before it can make

Charterhouse Japhet, advising Berisford, said yesterday that the discussions with Barclays were simed at ending the uncertainty surrounding the

BARCLAYS Merchant Bank, the British commodities group to the Office of Fair Trading a potential bidder for several financial advisers to Ferruzzi, violate EEC anti-trust law. which could raise objections. Holdings, the acquisitive UK food manufacturer, has built up a 10.6 per cent stake in Berisford and Tate & Lyle, the UK sugar refiner, has bought little more than 4 per cent.

Charterhouse said that a number of options were under consideration, including a manage-ment buy-out of Berisford, minus British Sugar.

"It is very fluid at the moment. The main thing we have to do is to clarify the intentions of Ferruzzi," said Charterhouse.

### Security delivers the goods for Expamet

Expamet International's acquisitive drive into the security industry was the main thrust behind a 37 per cent increase from £3.2m to £4.38m in taxable profits, reported yes-terday by Mr Jeremy Beasley, the chairman. He said that the increase

"fully justifies our strategy of investment in our core businesses and our acquisitions in the security related products market," In 1984 Expanet spent £2.5m on five acquisitions, and more than twice that was spent

on two purchases last year.

Expanet's infant security business in 1984 contributed nothing but last year accounted for a 28 per cent slice of taxable profits. APT Controls, acquired for £4.8m, "produced excellent profits, well up to expectations," he chairman said, adding that Phoenix Controls, which joined

the group three months later in

securities division.

The results from security, together with an improved con-tribution of £1.66m (£1.56m) from industrial operations, con fortably offset a downturn on the building side where profits slipped from £1.64m to £1.49m.

"In our core businesses, Expanded Metal Company had a successful year and increased profits by 24 per cent" while BAT Building products had a "modestly successful year with profits 5 per cent up on 1984." However, Industrial Building Components continued struggle and lost £320,05%.

IBC, said Mr Beasley, was an area of concern and "appropriate action has been taken to eliminate losses in the

International's April, "easily exceeded its tarve into the get." Since the year-end Mayor said that the Expanded Metal from the security sector. Of the
v was the main Turnstiles has been purchased Corporation in the US made a
37 per cent for £0.6m and added to the small loss, although this was products clearly had the least small loss, although this was products clearly had the least largely accounted for by non-recurring items and the com-

> Shareholders, who are told by a confident Mr Beasley that they can expect further growth, are set to receive a higher final dividend of 3.55p (3p), making an increased total of 5.9p (5p). Earnings per share rose from 9.49p to 12.58p.

as a three-legged animal with amiss.

pany was now performing more at Stainlessfix and rather slug-satisfactorily, and satisfactorily, This division could be the one on which management will have to spend most of their time in 1986. In line with the plan to build the security activities up towards a full third of group turnover two acquisitions in this area for a total of around £3m seem imminent. Without allow-

seem imminent. Without allowing much for new acquisitions, the City is looking for £54m pre-tax this year. This has the shares at 168p on a prospective multiple of 11 given a 35 per cent tax charge. As Expamet's earning growth looks solid another couple of points on the prospective rating would not be as a three-legged animal with

### **Pennine Resources in profit**

5424,000 at the year-end the purchase price of some Pennine Resources recovered in \$3.25m the six months to September

Mr Malcolm Horsman, the is improving, and Mr Horsman chairman, says the company's says he believes that this oil producing assets are acquisition will provide a affected by the decline in oil springboard from which to prices, and although the real expand in this field. estate assets are producing income, the Chanute assets continue to operate at a loss.

AFTER INCURRING losses of of the outstanding balance of

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Refurbishment of 30 1985 and achieved pre-tax the Talbott stores in New York culties, the company's position is improving, and Mr Horsman

YEARLING BONDS: Mr Horsman says the realisa-tion of the Dutchmaid assets issue is 10% per cent, down & of in Pennsylvania continues, and a percentage point from last is further facilitated by the week, and compares with 12% agreement to settle the compares with 12; agreement to settle the company's dispute with the former are issued at par and are shareholders of Dutchmaid by redeemable on March 25 1987. a single cash payment of A full list of issues will be pub-\$1.2m next month in settlement lished in tomorrow's edition.

### DIVIDENDS ANNOUNCED Date Corre- Total of sponding for

.....int. 0.66 ..... 8.55 .....int. 0.5 Expamet . S.R. Gent 

### EXPAMET INTERNATIONAL PLC **BUILDING INDUSTRIAL AND SECURITY PRODUCTS**

The Chairman, Jeremy Beasley, reports:

RESULTS "Earnings per share, the Group's principal measure of success, has increased by 33% to 12.58p (9.49p). This has been achieved on tumover up 25% at £52 million, with pre-tax profits 37% higher at £4.4 million (£3.2

particularly satisfying against 16.2% achieved last year. This Improvement illustrates our increasing effectiveness in managing the Group's assets. **DIVIDEND** "in the light of these most satisfactory results,

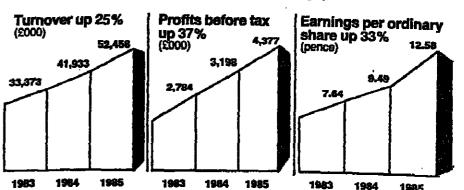
"The Group's return on capital employed of 26.9% is

your directors recommend an increase in the final dividend from 3p to 3.55p, making 5.9p (5p) for the year. This represents an increase of 18% with dividend cover marginally up at 2.1 (2.0). ·THE FUTURE "The aim of our Group is to become a

services to the industrial, building and security markets in the UK and to develop similar businesses overseas. "With our core businesses continuing to improve, our new businesses exceeding expectations and our acquisition

significant supplier of components, products and related

strategy progressing as planned, I am confident that the Group will achieve its objective of consistent long-term growth and above-average increase in earnings per share."



The statement is abridged from the full financial statements which have been audited, full statements, together with the Auditors' Report which is unqualited, will be available from the Secretarians intermational PLC, Cilipon House, 83-89 Unbandge Road, London WS 51A on 3rd April, 1986 be delivered to the Resistant of Companies tollowing the Aumusl General Meeting to be held on 30th.

## MOTOR GROUP p.l.c. Distributors and Retailers of Cars. Commercial Vehicles, Petroleum Products and Tyres. Specialists in Service and Parts, Long Term Contract Hire, Car and Van Remail, Bodybusides, Manufactures of Electric Vehicles, Road Tank Vehicles and Remoulded Tyres. Operators of Motorway Service Areas, Insurance Brokers and Travel Agents. Developers and Retailers of Leasure Property.

Tumover 372,228 7,536 Dividends Distributed 2,796

Shareholders Funds £70 4m (Issued Capital and Reserves) Fixed Assets £62.6m Number of Shareholders 3 777

Capital Employed 989.3m Net Current Assets E23 5m Number of Employees 5,645 Number of Apprenaces 47

Value of Group's Properties £33.3m

Copies of the 1985 Report and Accounts may be obtained from the Secretary, Manor Offices, Old Road, Chesterheld,

## Granville & Co. Limited

BROTHERS

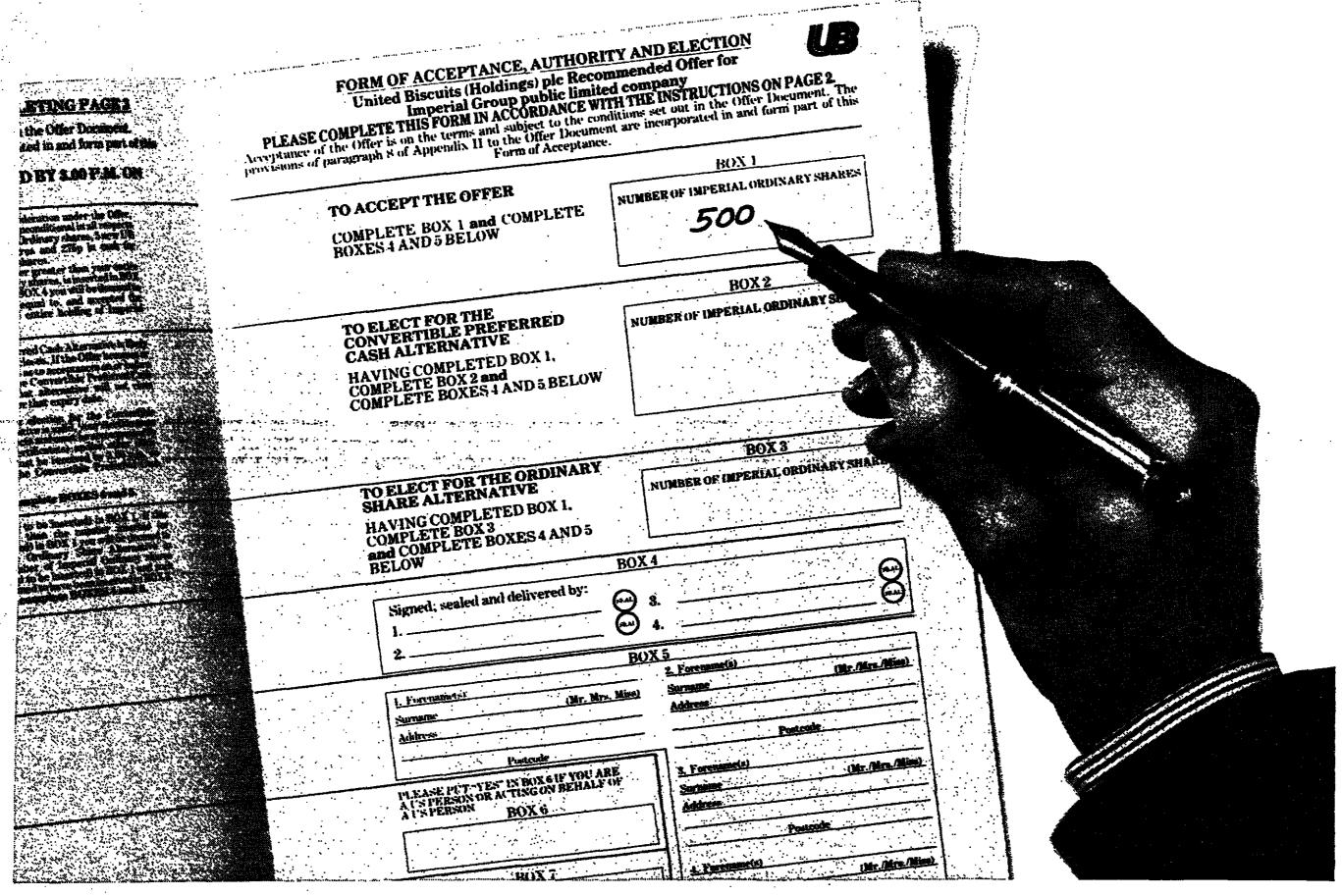
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		-					P/	E	111
					Gross	Yield		Fully	111
ìah	Low	Company	Price	Change	div.(p	) %	Actual		111
48	118	Ass. Brit. Ind. Ord	134		7.3	5.4	8.2	7.7	111
51	121	Ass. Brit, Ind. CULS	139		10.0	7.2	-	_	111
75	43	Airsprung Group	71	. —	6.4	9.0	14.6	15,4	111
46	33	Armitage and Rhodes	35	_	4.3	12.3	4.3	5.2	111
74	108	Bardon Hill	174	_	4.0	2.3	22.0	22.9	"
64	42	Bray Technologies	56		3.9	7.0	6.8	7.9	111
10	136	CCL Ordinary	138	_	12.0	8.7	3.4	3.2	111
62	97	CCL 13pc Conv. Pret.	98	_	15,7	15.9	_		111
44	80	Carborundum Ord	144	+ 2	4.9	3.4	7.1	22. <b>2</b>	111
94	83	Carbonindum 7.5pc Pt.	91	_	10.7	11.8	_	<del></del> -	111
66	46	Deborah Services	56x	d — 1	7.6	12.5	5.8	7.7	111
32	20	Frederick Parker Group	23	_	_	_	_	_	3 H I
32 05	60	George Blair	105	_	_	_	4.3	7.8	111
68	20	Ind. Precision Castings	63	_	3.0	4.8	16.6	13.9	111
18	161	isis Group	165	_	15.0	9.1	12.7	19 D	111
22	101	Jackson Group	121	+ 1	5.5	4.5	8.1	8.1	111
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# We, the Imperial Board, strongly recommend immediate acceptance of the United Biscuits offer.

(This is the form it should take.)



If you are an Imperial shareholder, the unanimous advice of your Board, fully supported by its financial advisers, Hambros Bank, is that you should accept the offer made by United Biscuits.

In order to do this you should complete the white United Biscuits acceptance form immediately. All forms should be returned by 3.00 pm on Friday, 21st March 1986.

This is the way to "stay with Imperial."

By accepting the UB offer, you will help create a major new British group, United Imperial,

which will ensure Imperial's businesses continue to prosper.

It is most important that every UB form of acceptance is despatched without delay. That is the best way of repelling the unwelcome Hanson bid.

If you need advice on how to complete the UB acceptance form, please telephone 0272-666961.



U.S. \$30,000,000

**SUNDSVALLS BANKEN** 

FLOATING RATE CAPITAL NOTES

**DUE 1992** For the six months

19th March, 1986 to 19th September, 1986 In accordence with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 7% is per cent and that the interest payable on the relevant interest payment date, 19th September, 1986 will amount to U.S.\$386.53 per U.S.\$10,000 Note.

Agent Bank: Morgan Guaranty Trust Company of Mayr York, Landon



### MALAYSIA

US\$600,000,000 Floating Rate Notes due 2015

For the six month period 15th October, 1985 to 15th April, 1986 the amount payable per US\$10,000 Note will be US\$406.12. The relevant interest payment date will be 15th April, 1986

Bankers Trust Company, London

### National @ **Provincial Building Society**

£200,000,000 Floating Rate Notes 1996 Notice is hereby given that the Initial Rate of Interest has been fixed at 112% p.a. and that the interest payable on the relevant Interest Payment Date 20th June, 1986 in respect of £5000 nominal of the Notes will be £149.66 and in respect of £100,000 nominal of the Notes will be £2,993.15.



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- \* Management systems for assessing and controlling risk
- \* What can be learned from the NASDAQ experience?

Some of the speakers taking part: Mr Patrick Mittord-Slade

Chairman of the Projects Committee The Stock Exchange

Mr George Hayter The Stock Exchange

Mr David Victor CAP Financial Services Limited

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## Zochonis up 19% despite sliding Nigerian rates

Paterson Zochonis, the Man-chester-based company which manufactures soap and toiletries and trades in West Africa. yesterday reported a 19 per cent increase in pre-tax profits for the first half of the 1985/86 year. At £20,87m, up from £17.52m, the figure was at the upper end of analysis' expecta-

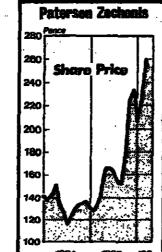
The result would have been 10.8m better but for the effect of the declining value of the Nigerain naira. This fell by 13 per cent in the six months to November 30 1985, and a factor of the six months to the six months the six month further 8 per cent by the end of February. The company said that it was deamed prudent to use the rate at the end of last

The directors said that the "satisfactory improvement" was mainly due to an increase in investment income—up from £2.65m to £4.41m—and a reduction in interest payable, which fell from £5.49m to £3.24m.

They add that the group's

companies are currently main-laining their performance and

share, on earnings of 22.58p and the Nigerian companies' (19.21p). Last year there was ability to sustain adequate raw a total of 5.9p on taxable profits material supplies for their of £38.6m and earnings of 38.6p. operations. Turnover slipped from The tax charge for the half £150.02m to £120.45m, but year rose from £7.33m to £9.47m, operating profits rose from with a sharp rise in UK tax—up £12.04m to £12.53m. The results from £1.27m to £4.17m. Over-



duction of the various units was maintained at levels similar to the last half-year, with demand remaining strong.

Overal, Cussons group results continued to improve, helped by subject to unforeseen exchange favourable raw material prices, rate adjustments, second half and Interparco companies have profits should not be less than those for the first.

The interim dividend is directors, results are dependent raised from 1.55p to 1.65p per on external influences affecting ordinary and "A" ordinary both exchange rate movements.

fil2.04m to £12.53m. The results from £1.27m to £4.17m. Overof the Nigerian companies were seas tax came to £2.07m
lower in sterling terms but (£2.31m), and the balance of the
ahead in local currency, and prototal tax bill was on the profits

of related companies.
Attributable profits came ou at £11,1m (£9.5m), of which preference and ordinary dividend will take £1.17m (£1.12m).

The directors say that using the same Nigerian exchange rate there would have been a los in reserves of about £12.3m (£0.5m) on translation of net currency asets into sterling. The amount of the movement for the full year will be determined by the rate at the end of n-xt May. comment

Paterson Zochonis is so often written off as being heavily dependent on Nigeria that the shares' stockmarket rating is always low. In the half-year to November Nigerian profits were hit. The downturn was due to the fall in the naira, and the cautious view PZ took by using February exchange rates. PZ is waiting to hear about this year's import licences, with the probability that they will be probability that they will be granted for raw materials for esential products such as soaps and detergents. Progress elsewhere in the group, particu-larly the UK, made up for the Nigerian fall, and the strength

of the balance sheet, translated into higher investment income and lower interest charges and lower interest charges, pushed profits ahead. The company's investments, mostly in short-dated gilt-edged stocks, now account for about three-quarters of its market capitalis-tion. Profits for the full year ation. Profits for the full year could reach \$44m pre-tax, giving a p/e ratio of only 5.2 with the shares at 250p, down 10p yesterday on profit-taking Safe from take-overs, the shares yesterday on profit-taking

## Norank achieves record £0.4m

Norank Systems has 73 per cent from £699,000 to Virgin Megastore in London's announced a record £404,000 in £1.21m, and the company is Oxford Street, for example, had pre-tax profits for 1985, against a previous £191,000. In to maintain its expansion pro- in the last six years, he said.

retailers, say that current trad-ing remains buoyant and they anticipate further growth in 1986. They believe that there is considerable potential in overseas markets and expect exports to increase substantially during

ress than £375,000 was made.

The directors of Norank, which designs and makes metal display systems for record retailers, say that current trading remains.

\*\*The directors of Norank, said yesterday that the large percentage increase in practice.

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\*\*The directors of Norank, said yesterday that the large percentage ing tight control on overheads. He looked forward to con-tinued growth in the company's

markets, not just through widen-ing the customers base but also

in the last six years, he said.

are unlikely to be re-rated, but

should reward patient investors.

Operating profits for the year rose to £373,000 (£169,000), and the pre-tax result last time was before an exceptional £116,000

(£34,000) attributable profits emerged £203,000 higher at £244,000 for earnings per 5p share up from 1.3p to 7.8p.

As forecast there is no dividend. The directors intend paying dividends in November the year. through the increasingly importing dividends in November Turnover in 1985 improved by ant replacement market. The 1986 and May 1987 totalling 3p.

### course to meet £18m forecast By Charles Batchelor

SGB on

SGB Group, Britain's largest scaffolding company which is fighting off a takeover bid from BET, is confident it will achieve the £18m pre-tax profit forecast for the year ending September, Mr Clive Beck, the chairman, said yes-

"We have come through the winter very satisfactorily. I am optimistic we will at least do everything we said we would," he said after a shareholders' meeting yester-

"Our traditional scaffolding interests are now complemented by the faster growing areas (equipment hire, access equipment manu-facture and building restoration) which contributed two-thirds of our profits and re-duced our dependence on the construction cycle and our exposure to valuerable over-seas markets," he told share-

SGB has been presenting its arguments to the Monopolies and Mergers Commission against the £120m takeover bid from BET which has now formally lapsed. BET has indicated, however, it will revive its campaign if its bid is cleared.

SGB claims the two companies together account for about 30 per cent of market for large scaffolding con-tracts, worth more than about £100,060 each, and for 60 per cent of the specialised off-shore market.

The two companies also have a large proportion of the market supplying small builders with scaffolding equipment, Mr Beck said. SGB estimates that the BET

hid, which was preceded by an unsuccessful tender offer from C. H. Beazer, the hor huilding group, has led to institutions taking a larger number of its shares, reducing the proportion held by small investors by half to 20 per

BET has a 14 per cent hold-ing in SGB while the Kuwait Investment Office holds 10.25 per cent.

Shareholders unanin approved all metions at the meeting and

## Further erosion in margins at Gent

S. R. Gent, the clothing manu-facturer with Marks and Spencer as its largest customer, had a poor first half, as expected. Waivers have been received in respect of 21.75m shares so the company is paying an interim dividend, but it is halved to 0.5p net.

In the six months ended December 31 1985 the pre-tax profit fell from £901,000 to £22,000. This follows the trend of the second half of 1984-85 when the company made only £126,000, and halved its final dividend to 1p.

Trading continued to be difficult in the areas where the comcuit in the areas where the com-peny is particularly heavily con-centrated, such as ladies' dresses. Areas such as children's wear and ladies' blouses showed satisfactory im-provements, but were not sufficient to compensate for the deterioration in marring deterioration in margins.

The requirement of Marks and Spencer for more basic lines confined the opportunities to achieve better margin results. Turnover rose from £41m to £43.88m. The company is satisfied to have maintained its sales volume and says it is ready for the opportunity to move for-ward as trading improves, "which at this moment has not

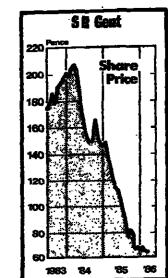
Cost of overheads rose £3m to £43.16m to leave the operating profit at £715,000 (£1.07m).

yet become apparent."

Gent has decided not to pursue trade in the US for the time being, as the initial encouraging results did not mature as the value of the dollar decreased.

the Australian company will be strengthened on the manage-ment side. In South Africa, the related company continues to hold its position.

comment



the shares unchanged at 64p. Marks and Spencer, Gent's chief customer, is a harsh task master at the least competitive of times. As high street compe-tition from Next and Principles has intensified, it has stepped up the pressure on suppliers margins and stocks. And nowhere has high street competition been more intense than in the dresses which Gent sup-plies. Marks and Spencer's newfound enthusiasm for diversity has compounded the prob-lem for Gent, whose cost structure has been moulded on years of long, long runs. Mean-while the US operation, which was handled about as the panacea to Gent's problems at the end of the last financial year, has fallen victim to the The subsidiary in Canada is dollar. Earnings from Canada trading more satisfactorily, and and Australia do little to compensate for the collapse of South Africa, Gent's main export market. As a result Gent will be lucky to break even for the year as a whole. Its solution has been to cut costs, with a rationalisation programme at SR Gent's fortunes have the Barnsley manufacturing limped from had to worse in base, and to diversify away the last year or so. The market from dresses into blouses, was merciful yesterday and left nightwear and lingerie.

ILEE LE

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### Obituary

Grateful for everything he has meant to us we ann cted passing away of our dear husband and

YUZO KATO at the age of 48 years. We shall always remember you

YUKIKO KATO KANAKO

There will be an opportunity to pay last respects on the evening of Wednesday, March 19th, between 19.00-20.00 at Uitvaarteentrum Bouwens, Startbaan 7 (Hoek van der Hooplaan), Amstelveen. The cremation will take place on Thursday, March 20th, at 15.00 hours at the Crematorium Westerveld, Driehuis,

It is with regret and deep sadness that we learned of the sudden death of our Vice-President and Managing Director MR. YUZO KATO at the age of 48 years.

His leadership, dedication and profound interest in human relations will remain in our memories.

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Company Notices

A/S JYSKE BANK NOTICE TO THE NOTEHOLDERS
In accordance with the terms and
conditions of the Notes (paragraph
5 of "Status of the Notes (paragraph
5 of "Status of the Notes and regative piedee"), notice is hereby given
that the Bank olects to subordinate
the unsubordinated part of all of the
Notes on the 30th April. 1986.
Thereafter each Note shall constition in its entirety subordinated debt
of the Bank.
BANQUE GENERALE

BANQUE GENERALE BANQUE GENERALE DU LUXEMBOURG Societe Anonyme Fiscal Abent and Reference Agent

Personal

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on behalf of A/S Jyske Bank

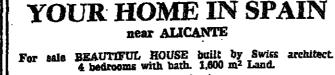
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## **UK COMPANY NEWS**

# **UB** shareholders give green light to Imps bid

extraordinary meeting on a show of hands and with proxies covering 28 per cent of the capital producing an 85 per cent "yes" vote and 15 per cent "no."

The meeting was low key, though Sir Hector Laing, chair-man of United, faced some hosile questions from Mr Russell Edey of merchant bankers N. M. Rothschild, the financial

Asked to assure shareholders that United was not consider-ing an increase in its offer, Sir Hector said that at the present encouraged by his visits so far. Hanson said yesterday that it time he saw no reason to "I would like to win this had increased its holding of increase. He also defended the battle," he added. "We will take Imperial to 9.2 per cent, controversial purchase of £36m such action as necessary to do through the purchase of 1.25m worth of Imperial shares by that at the appropriate time."

optimistic that this year should

yield a substantial and progres-sive profit improvement

a ged a general a general

<u>ज्य</u>ा

THE RESIDENCE OF THE PROPERTY OF THE PROPERTY

United Biscuits yesterday won Morgan Grenfell, under an the approval of its shareholders for its £2.4bn agreed takeover bid for Imperial Group, the tobacco and brewing business, which also faces a hostile bid from Hanson Trust.

The deal was approved at an extraordinary meeting on a show of hands and with proxies covering 28 per cent of the capital producing an 85 per cent of the capital producing an 85 per cent of Imperial's shares—were the Office of Fair Trading to

hold around 25 per cent of Imperial's equity, would prob-ably follow their board's advice and back United. He still had

Watmoughs expects support from YOU

man, said that the second half

Royal X.
Standard Charterea
TCB Space Savings Bank 121%
United Bank of Kuwait 121%
United Mirrahi Bank ... 121%
Westpac Banking Corp. 121%
Westpac Banking Corp. 121%
Westpac Banking Laidlaw ... 13 %
Westpac Banking Laidlaw ... 13 %
Westpac Banking Laidlaw ... 121%
Westpac Banking Laidlaw ... 121%

watmoughs, the colour tax balance showing a small printer, publisher and process £19,000 increase to £2.32m. engraver, yesterday reported static results for 1985 but was man. Said that the second half

primistic that this year should rield a substantial and progressive profit improvement.

Turnover during 1985 rose by gravure and web offset capacity

14 per cent to £30.8m, but this to meet our increased commit-improvement did not flow ment for high quality colour through to profits with the pre-

BASE LENDING RATES

ABN Bank 121% Guinness Mahon 121% Hambros Bank 121% Hongkong & Shanghai 121% H

He said the recent sharp rise

a film profit on the said later there sides was still "all to play for." He would save the said the sarly acceptances received by Hanson—12 per cent of Imperial's shares—were the Office of Fair Trading to brobably from people who were announce its decision on this by the end of this week, or early next.

plained at the meeting that she was "fed up to the teeth" with the rival bid lierature coming through her letter box, which to see to convince them that Shareholders, she said, had United's bid offered a better become so confused they did investment, but he had been encouraged by his visit and the said become so confused they did not know which way to have encouraged by his visit and the said of the sai

"In particular this period in-cluded the commencement of

taken by the group—the produc-tion of the Mail on Sunday

colour supplement, YOU maga-zine for Associated News-

Pre-production costs relating

to the YOU contract cost Watmoughs £277,000 below the

line which, together with a higher tax charge of £365,000

(£331,000), left attributable profits £292,000 lower at £1.68m.

Earnings per share fell by just over 3p to 18.25p but still comfortably cover an increased total dividend of 6.5p, against 6.25p, on the enlarged rights issue capital. The proposed final dividend is 4.8p

(4-55p).
Mr Walker said that 1986
had "started in an encouraging
manner and our well estab-

lished connections will be strongly supported by the YOU Magazine contract."

Reflecting the results of the expansion programme of autumn 1984 and the acquisition

of Goodwin Barsby, the diversi-fied engineering combine BM Group has lifted its turnover

by 24.5 per cent to £16.3m and its pre-tax profit from £480,000

December 31 1985.

The company, which is controlled by C. H. Beazer (Holdings), is paying an interim dividend of 0.66p net. Last time

followed by a 0.99p final in respect of the 15 months ended June 30 1985. The 1984 interim figures are on a pro-forma basis.

After tax £400,000 (£211,000)

the net profit works through at £632,000 (£269,000) for earnings of 3.64p (1.81p).

**BM Group lifts** 

profit to £1m

Under Granada's articles of association no shareholder may vote more than a 5 per cent holding without the IBA's approval.

renewed

By Raymond Hughes, Law Courts Correspondent

that the IBA's decision could not be interfered with by the courts because it had not been an exercise by the IBA of its public law powers under the 1981 Broadcasting

The IBA decided on February 25 not to give Rank permission to exercise voting rights in more than 5 per cent of its shares in Granada.

vhich includes Granada Tele-

The High Court decided that, when the IBA made its decision, it had been exercis-ing a private law adjudicatory power conferred on it by the articles.

Mr Ian Hunter, QC, for Rank, contended in the Court of Appeal that, although the adjudicatory power was given by the articles, it stemmed from the IBA's statutory powers under the Broadcast-

Therefore the decision had a sufficient public law element for it to be susceptible to judicial review.

If that were not the case.

Mr Hunter said, the IBA would be unique among public bodies in that, in this area of its functions, its decisions were not reviewable by the cases. able by the courts.

The appeal, which is expected to last for the rest of this week, continues today.

Sidlaw expands in Scotland

Sidlaw Group has acquired the capital of Edwards (Aberdeen), a private company engaged principally in wholesale cash-and-carry food distribution to onshore and official to markets in Section 4. offshore markets in Scotland.

Initial considerations of £1.28m will be satisfied by the issue of variable rate unsecured lean stock 1987-92 of Sidlaw.

Additional consideration. up to a maximum £850,800, may be payable, based on a formula related to the gross formula related to the gross profit performance in the year to December 31 1986 of certain elements of the business being acquired.

In the year to December 31 1985, the pre-tax profits of net tangible assets attributable to Edwards were £497,500 and £526,009 respectively.

### Rank legal AP reaches target attack on with £7.5m profit **IBA** block

PRE-TAX PROFITS of Automotive Products for the year ended January 3 1986 are in line with the forecast made in the improvement in margins followdocuments relating to the merger with the BBA Group, the conveyor belting and friction materials undertaking.

Rank Organisation yester-day renewed its legal attack on the block imposed on its £753m offer for the Granada Group by the Independent Broadcasting Authority. The profits are up from £3.9m to 57.5m reflecting a recovery in demand from the depressed levels of the second half of 1984 but also the effect of non-recurring factors. Rank asked the Court of Appeal to overturn last Thursday's High Court ruling

BBA's offer was a one-for-one share swap, with a cash alternative, and the shares to be issued will rank for BBA's final dividend of 1.16p.

In view of this Automotive Products is not recommending a final dividend for the year; the in net interim therefore, com-

of 1.5p paid offeror, Morgan Grenfell purchased at 130p each just over lame directors say that following the reorganisation of the past few years and the merger with BBA, they expect the group position to strengthen in its chosen markets and move forward to a greater penetration of the worldwide motor industrial acting in concert with the offeror, Morgan Grenfell purchased at 130p each just over lame shares in AP which were held by companies controlled by Mr Eric Barrett, a director of AP who subsequently resigned.

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Morgan Grenfell purchased at 130p each just over lame shares in AP which were held by Companies controlled by Mr Eric Barrett, a director of AP who subsequently resigned.

ing cost reductions and rationalisation over the years.

The principal non-recurring factors were the effect on sales of rationalising the Banbury operations into the Leamington plant (as part of the progressive closure of Banbury), a six-week strike at the UK Precision Hydraulics division and start-up costs at the new Italian brake factory. Interest charges were

Group turnover in the year estimated was a record £260.2m (£235.6m) before tax.

### Merchants' Warehousing lower

Revenue of this Dublin-based additional investment in the company—it carries on business of grain discharging, conditioning and dry storage—was fractionally ahead at £1.68m earnings per 25p share fell from compared with £1.65m, and 2.76p to 2.07p.

Lower pre-tax profits, down trading profits, after charging from 1£255.000 to 1£137,000, are all expenses, were £108,000 reported by the Merchants' The directors say trading Warehousing for the 24 weeks to December 14 1985.

BOARD M	EETINGS	1
TODAY	Combined English Stores	Mar 25
	Enling Electro-Optics	Apr 3
HIGHTHES. COMBUSING EQUIPMENT.	Edinburgh Financial Trust	Mar 20
Lugica, Goulge n. Schules, Gilder,	Estates and Goneral	Mar 25
911011 0116 1 1 51 1 1 1 2 44 - 1 1 1 1 4 1 2 1 C 1 1	G.T. Dollar Fund	Mar 24
30UIN 44821.	Gibbs and Dandy	Mar 26
	House of Lerose	Mar 27
	Jecks (Wilham)	Apr 2
	Johnson Group Cleaners	Mar 25
uniqual todiuson, Jamasons (Cucco-	Jones (A.)	Mar 20
	Keep Trust	Mar 26
Mecelien-Gientivet, Hugh Mackey,	London and Manchester	Apr 2
Reluge, Rentokil, Stockley.	Monument Oil and Gas	Mar 28
	More O'Ferrall	Apr 7
FUTURE DATES	Offield Inspection Services	Apr S
Interims—	Pentiand Industries	Apr 7
	Petrano!	Mar 24
	Petrocon	Apr 15
	Rockware	Mer 25
	Schrodera	Mar 20
Pinechurch US Growth Fund Mar 25	Southampton Isle of Wight and	i
Reliable Properties Mar 21	South of England Royal Mail	- 1
Renishaw Mar 20	Steam Packet	Mar 25
Zambia Copper Investments Mar 21	Sovereign Oil and Gas	Mar 24
Finals	Steel Burrell Jones	Мат 2\$
Aidcom International Apr 7	Taylor Woodrow	Apr 15
	Technical Component Industs.	Mar 24
	Transty international	Mar 20
	Wills Group	Mar 25
Charterhall North America Mar 24	Wold	Mar 26
Phylopias International Ant 3	Weistenholme Ruth	Mar 25

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19th March 1986

19th June 1986

Interest Period

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U.S.\$ 97.43 U.S. \$1,948.61

Credit Suisse First Boston Limited Agent Bank

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Notice is hereby given that in accordance with condition 4(b) of the terms and conditions of the notes, the company will redeem all of the outstanding notes, being US\$40,000,000 nominal amount, at their principal amount on May 14, 1986 when interest on the notes will cease to accrue. Payment of principal together with payment of interest due May 14, 1986 will be made in accordance with the terms and conditions of the notes at the offices of any of the paying agents who continue to be as listed in the terms and conditions of the notes.

March 19, 1986 THE CHASE MANHATTAN BANK N.A. LONDON, FISCAL AGENT

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## J. P. Morgan & Co. Incorporated

Floating Rate Subordinated Capital Notes Due December 1997

For the three months 19 March, 1986 to 19 June,

1986 the Notes will carry an interest rate of 7.55 per cent, per annum.

Interest payable on the relevant interest payment date, 19 June, 1986 will amount to U.S.\$192-94 per U.S.\$10,000 Note and U.S.\$4,823-61 per U.S.\$250,000 Note. By: CITIBANK, N.A., London Agent Bank

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Sarasin International Securities Limited Sparekassen SDS

The Hongkong and Shanghai Banking Corporation

Tokai Bank Nederland N.V.

New Issue. This announcement appears as a matter of record only. March 1986

# Latest prices:

At last some help for the hard pressed Imperial shareholder.

Mindful that share prices can vary daily, we are publishing a bulletin showing the value of each of the offers for your company.

In order to be perfectly fair, the values we've quoted are based on the best possible offers. Hanson's offer closes at 3pm on March 24th.

**HANSON BID WORTH:** 

**UNITED BISCUITS BID WORTH:** 

HANSON BID BETTER BY:

Figures based on the market prices at 5.50pm on Tuesday.

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By Nick Garnett

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# **TECHNOLOGY**

Peter Marsh on a novel link between new scientific concepts and business

# GrandMet's nursery for bright ideas

THE IDEAS of six technological enterprises.

entrepreneurs are under evaluation in a novel scheme by Grand Metropolitan, the £5.8bn-turnover beer to hotels multi-national, which is looking to introduce new scientific conintroduce new scientific concepts into its commercial activi- from these enterprises, which

The six, whose interests range between computer-aided design, biotechnology and electronics, have applied to take space in a high-technology "nursery" that the company is setting up on the science park at Surrey University in Guildford.

The company is setting up on the science park at Surrey University in Guildford.

They were selected from 600 men and women who have responded to requests over the past year from Grand Metropolitan for ideas from people interested in building up a technology-based business.

The provision of the nursery - which two or three of the six entrepreneurs are due to move into within the next few months - is part of a plan by Grand Metropolitan to introduce its diverse range of businesses to new scientific thinking that can influence both products and

Grand Metropolitan Biotechnology (GMB), a company set up in 1982 to act as a holding group for activities in biosciences and related areas, will Biocatalysts, which has share the building with the new strong links with biotech-

other with materials. The ideas

Metropolitan empire concerned the GrandMet group. But the with food and drink. These commultinational also sees ideas panies include Watney Mann (brewing). International Dis- ing applications in some of its London and Heathrow Airport.

reluctant on commercial

GRAND Metropolitan Blo-technology has three existing subsidiaries, all of which started as a result of academic

Biokits, based in Deeside, makes diagnostic kits for the food industry, to determine whether food contains contaminants, for instance. The company evolved out of re-search at the North East Wales Institute in Queens-

(milk and dairy products), computers, heating and venti ALPO Petfoods and Atlantic tion, health care and hotels. Soft Drink

"We hope to capture details about technologies that the research departments of the companies within the group may not cover," explains Mr David Alcock, GMB's commercial director.

such as fermentation, effluent treatment and chemical analysis have obvious relevance to the food and drink concerns within from the small concerns as hav-

### HOW ACADEMIC WORK HAS PROVED SUCCESSFUL

nologists at the University of Wales, is based in Treforest, near Cardiff, and makes specialist enzymes. These sub-stances, which act as biochemical catalysts, can be used to hasten chemical re actions in commercial activities such as waste treatment and the production of food

flavourings. Flexigauge, on the West of Scotland Research Park, near Glasgow, produces plezoresistive polymers, of wide use in materials engineering. This type of polymer can be made

Express Dairy and Eden Vale areas, which include printing, (milk and dairy products), computers, heating and ventila-"Biotechnology is our focus,"

says Dr George Christie, manag-ing director of GMB. "But we don't have to become hung up on it.

Grand Metropolitan began thinking about a "nursery" after realising it could benefit Biology related technologies through becoming the landlord for a number of small businesses — in which the company would not necessarily have a stake — under one roof. It wanted the building to be close to a centre of scientific expertise and with good links to

into novel strain gauges; as the material stretches, its resistance changes by a known amount, a factor that can be measured to produce figure for the stress put on the substance. The gauges can be used in air conditioning equipment to monitor the movement of gases and in offshore platforms to check

Grand Metropolitan has a 75 per cent stake in Flexi-gauge while it owns all the shares in the other

universities in South East England, it decided in 1983 to base the unit in Guildford. The £1m nursery was completed last July. Mr Alcock explains that one

aim of running the nursery is to find out about the special requirements of small, science-based companies. He is not necessarily looking for an obvious "fit" between the busi-nesses and other parts of Grand Metropolitan - though due to the breadth of the company's business interests, almost any technology could be capable of helping some part of the group.

Among the technologies the company is keen to see repre-sented at the nursery are fibre optics, factory automation, ultrasonic equipment and com-

puter-aided design.

Management expertise gained through aiding the small con-cerns — they will be given accountancy and marketing advice and help in arranging sources of finance—may, thinks Mr Alcock, help Grand Metropolitan in starting new activities that are entirely unrelated to new technology.

The six entrepreneurs whose ideas Grand Metropolitan is studying—and whose identities, at least for the moment, are secret — are a mixture of academics and people from

GROWN FROM LEFTOVER YOGHURT-AND IT CHECKS HOTEL GUESTS FOR STOLEN TOWELS AND COAT-HANGERS' (2)

technology - based industry.
The company will probably select two or three of these as suitable for taking space in the

building. Thereafter, Grand Metropolitan hopes to introduce start ups to its nursery at the rate of about two a year. Some, the company hopes, will stay for only a year or two before moving to larger pre-

mises because their businesses have become so successful.

uniform thickness down to 0.007 mm has been achieved

at Aluminium Walzwerke, using hydrostatic bearings supplied by Sulzer-Escher Wyss of Zurich.

In these patented Nipco bearings, the contact line force acting on the material being rolled is adjustable in

ALUMINIUM

Improvements by Swiss

in production of foil

over the past year in response to advertisements, but dis-appointed that many of the applicants for space in the

security container in which

blank certificates and em-bossing stamp will be kept. Racal Chubb is offering a

sultable unit which costs £315 installed. More on 0932 765838.

HOME CAR mechanics will be

attracted to an idea from Metro Products (Accessories and Leisure) of Oxted, Surrey,

ducts, incorporates a cne-way valve which once fitted, allows the simple insertion of a

plastic connector to start the

oil draining. A brass dust cap keeps the valve entry clean

manufacturing, has reached an agreement whereby it will be allowed to use the management expertise of Sperry, the US computer and engineering applicants for space in the nursery seemed to lack much knowledge of business planning. The young companies will pay Grand Metropolitan a tent at commercial rates and will normally be expected to find their new sources of finance. their own sources of finance. Mr Alcock indicates, however, that

AMTeC was set up two years ago by the University of Man-chester Institute of Science and Technology, Salford University and the Machine Tool Industry his company may be prepared Research Association. It has agreed to purchase more than £1.5m of computer hardware to inject up to several hundred The Grand Metropolitan thousand pounds into a business managers were impressed by the range of ideas brought to them particularly promising. from Sperry over the next five years. This will be used to help

run the services it offers manu-facturing companies from its base in Macclesfield, Cheshire. The agreement is similar to that between the Cranfield Institute of Technology and IBM, of the US.

Estimates of how much money UK companies needlessly lock up because of poor inven-tory control and manufacturing inefficiency range from between 14bn to 18bn. AMTeC says more integrated manufacturing sys-tems could help release this money, which would then be free to reinvest in advanced manufacturing techniques.

The consultancy services and help with installation that AMTeC is offering on the shopfloor is initially being geared to those companies with batch production runs, but will be extended to continuous proces

sing.
Mr Roger Crossley, managing director of AMTeC, said that although computer integrated manufacturing programmes would be based on Sperty systems and support services, this would not preclude the tech-nology centre recommending other companies' hardware where this was appropriate.

1: # \*\*\*

# Market ripe for Japanese attack

COMPUTER - AIDED design (CAD) could be the next electronics market the Japan-ese will attack in earnest, following an announcement from Nippon Rokan (NKK) that it is acquiring a 25 per cent interest in Tokyo Technical Consultants (TTC).

Most Western CAD industry observers believe that because computer aided design, manufacturing and engineering (CAD/CAM/CAE) cannot be supplied as a boxed product with minimal support, the Japanese will not see it as an export proposition.

But these systems form the foundation of the next big industrial technology, CIM, or computer integrated manufac-turing, in which all the com-puters in a factory will work together, so it seems unlikely Japan will ignore the Western

market.
TTC is one of Japan's leading CAD exponents and NKK hopes to commercialise its CAD / CAM developments through equity participation

in TTC. NKK has many years of experience in applying these techniques in its own machinery and shipbuilding

WORTH WATCHING **EDITED BY GEOFF CHARLISH** 

WORD PROCESSING from Amstrad, whose success in the UK market has surprised everyone, becomes an even better proposition with a new model, the PCW8512.

Most retailers says Amstrad, have had requests for a machine with more capacity. The new model has a pair of three-inch disk drives of 368k and 720k capacity and the random access memory has been extended to 512k. The result is greater text storage capacity and faster functioning. More on stations are to be marketed jointly by Satellite Business Systems of Virginia and the Massachusetts dish maker,

M/A COM's 1.8 metre
"Personal Earth Station"
(PES) sends data at 128,000
bits a second (about 16,000
characters a second) and receives it at 512,000 bits/sec. Personal computers, com-

puter terminals and similar units at remote locations will be line connected to a PES. Data processing centres with which these need to com cate will use a special shared groundstation and the two locations will be linked by sytellite. SBS is in McLean, Virginia on (703) 442 5000.

HOME HIGH-TECH will continue to grow in popularity, according to a MORI public opinion study commissioned in the UK by Philips



Part of a £6.5m extension to Ford's vehicle emission laboratory in Dunton, Essex, includes display terminals for tests run on a dynamometer. There are now 11 test cells like this, in which a car's exhaust emission on the road can be exactly simulated and recorded.

In new homes, the most attractive developments fore-seen in the next decade are satellite television receivers and flat screen TV sets that will hang on the wall.

In general the new devices people expect to have in their homes ten years from now are headed by microwave ovens. video recorders and cordless

burdensome.

much closer.

can strike anybody, anytime.

### individual sections so as to be uniform over the whole working width. Surface evenness, it is claimed, is better than that obtained which takes the messiness out of an oil change. The problem, even for the most agile, is unscrewing the sump drain plug, with a receptacle in the right position to catch the oil A modified drain plug, supplied in a kit by Metro Profrom rolling mills with tradi-tional rolls. More from the company in Zurich on 246

MOT CERTIFICATES are being stolen in their thousands (43,000 in 1985) and the Department of Transport is insisting that each of the UK's 17,000 test stations use a robust safe and a

But, thanks to changes announced

And, make no mistake, every penny you contribute to the Multiple

It also brings some comfort to the

will help find the cure is now less

Sclerosis Society brings the cure that

many thousands who suffer the misery

between oil changes. More on 08833 7644. of impaired speech, loss of eyesight, in-Multiple Sclerosis is a disease that

continence and paralysis. The much-publicised events of the in the Budget, giving us the money that past twelve months have demonstrated just now generous people can be when they believe in a cause.

Our cause is very important.

Please give as much as you can.

Because the sooner we find the answer the sooner we can ensure that the lives of those nearest to you are not torn apart.

Multiple Sclerosis tears lives apart.

# Uncovered a lead in the F.T. Traced it to Singapore. Secured it over Sole Souffle Stay Executive Class at the London Tara. Stylish rooms. Quality Service. Secretarial back up. You couldn't be in a better place for entertaining your business. Surprise.

# The road **orecovery**

The GLC's programme of industrial regeneration is amongst the most radical and innovative ever launched by a local authority in the UK. The last four years have seen many of its initiatives come to fruition, demonstrating by example that steps can be taken to halt

London's economy. Three major strategy publications — on finance, industry and labour — are all now available. They represent the results of four years practical work for London's economy and its people and look to the future, for both London and the

industrial decline in key sectors of

country as a whole. The GLC's strategy indicates that there is an alternative to the waste and stagnation of monetarist policies. It points to a road to recovery.

The London Financial Strategy

The London Financial Strategy
The London Financial Strategy examines
whether existing City institutions are able to meet
the needs of London's industry and savers, and of
the UK economy as a whole. It argues for agencies
which will respond to local community inhatitives
and sustain socially responsible investment and
for a central role for local authorities.

53.50

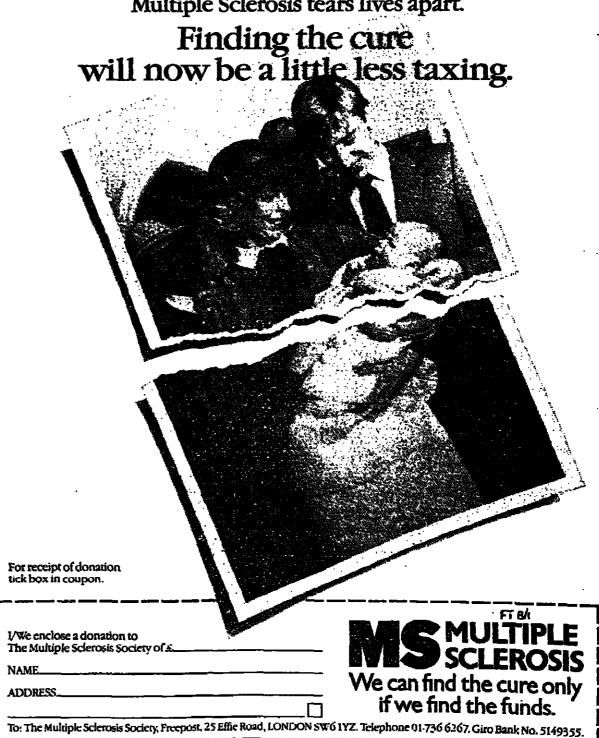
The London Industrial Strategy The London Industrial Strategy presents sound -economic alternatives based on positive action -creating jobs to produce goods and services to meet people's needs while increasing workplace democracy and fighting discrimination. \$5.00

The London Labour Plan

Government policy has had a dramatic effect on employment in London — lavouring the better paid and increasing divisions in the workforce. The London Labour Plan describes how the public sector, particularly local authorises, should act to restructure the pattern of employment in the interests of labour.

For your copy simply complete the coupon indicating the publications; I you require by ticking the appropriate box. No money need be sent at this stage, we will invoice you accordingly.

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# FT COMMERCIAL LAW REPORTS

# Shipowners face negligence claim for providing defective vessel

THE DERBYSHIRE
Quaen's Bench Division (Admiraity Count): Mr. Justices Sheen:

March 14: 1986

A SHIP 's "equipment" provided by an employer shipowner far the purpose of his
business; and accordingly,
where a mariner is lost at sea
due to the ship's faulty construction, his estate is entitled
to claim damages against the
shipswarer in that, although
the loss is attributable to the
shipswarer in the stationable to the
shipswarer in the shipswarer in provided by his employers' Liability (Defective
Equipment). Act 1989.

Mr. Justice Sheen so held
when giving judgment for the
plaintiffs, administratrices of the
estate of Mr. Leo Coltman, on a
preliminary issue in their claim
for damages against the defend
ant owners of the Derbyshire
on which Mr Coltman lost his
life.

Section 1 of the Employers'
Liability Defective Equipment). The shippwarer sheetled
the was every applied,
The preliminary point to be
source of his employered that
the atter super-structure
and bridge sank very rapidly.

They alleged negligence on
the ship was replicated. They further
alleged that Mr. Coltman lost his
life. "in the course of his employment in consequence of a
dee to the ship's faulty congravity constructed. They further
alleged to fail my course, and accounting the ship of the service of his
employer's Liability (Defective
Equipment). Act 1989 provides: "(1)
Where — (2) an employee
suffers personal injury in the
course of his employment in the
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course of his entropy the state of the
course of his employment in the
course of his entropy the size of the
scale of the ship was the
deceased man and machinery as equipment." It as hip was the
quagnetical the other.

But the definition of "equipment included 'any vehicle or
antiner's place of
work and the machinery as equippremises on the one hand and
prevailed the man and machinery as equipment included 'any vehicle or
antiner's place of
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the observable to the submitted that in the

ment) Act 1969 provides: "(1)
Where . . . (a) an employee suffers personal injury in the shipowners within the meaning of section 1.

The cardinal rule of construction was that words of a statute must be given their primary and ordinary meaning.

Miss Bucknall for the plain tiffs contended that in the contended any such absurd and undivisite or aircraft.

The cardinal rule of construction and contends that it was beld that if a ship oug

her design and construction natural meaning "vehicle" was were defective and not in used in the sense given it in accordance with Lloyd's rules, the Shorter Oxford Dictionary

The plaintiffs contended that Mr Hay contended that in its They also contended that — "a means of conveyance pro-Derbyshire was unseaworthy vided with wheels or runners and broke in two immediately . . ." or, as in Black's Law

The second was that the two Acts were not comparable. The Occupiers' Liability Act set a standard of care. The Employers' Liability Act provided a remedy in damages when an employee was injured or killed in the course of his employment by reason of defective equipment provided by his employer.

It was a legitimate aid to!

Bucknall (Evill and Coleman).

For the shipowners: Robin Hay (Holman Fenwick and Willan).

By Rachel Davies Barrister (THESE REPORTS, together with full texts of judgments, are published in monthly volumes. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

### **APPOINTMENTS**

# New managing director at Arthur Bell & Sons

ART RODER Hermans has been marketing director UK and was appointed managing director of ARTHUR BELL & SONS, Perth.

He is chief executive officer of Seagram UK and a director of Seagram UK and a director of Seagram Distillers, with responsibility for all commercial activities in the United Kingdom and Ireland. He joins Bell in April.

Mr David Harley, currently joint

Mr R. J. Feilden, a director

LOGICA is appointing four executive directors to the main board on May 1. All the direcboard on May 1. All the directors are currently directors of operating subsidiaries of Logica.

Mr Andrew Karney is managing director of Logica Communicaoperating subsidiaries of Logica.
Mr Andrew Karney is managing director of Logica Communications and Electronic Systems, Mr Ian Macleod is managing director of Logica Financial Systems. Mr Brian Martin is Britain, France, Germany, Spain director of corporate services for Logica UK and Logica International Dr. David Straley is necessarily which sources are appraisal of existing savareness which

Holdings and deputy chairman of Short Brothers. Mr Fincham is a managing director of Alexanders Discount. Mr Brittan is an economics specialist and assistant editor at the Financial

Mr Bob Spence has been appointed group finance director of the special services group of the NATIONAL FREIGHT CONSORTIUM. He was finance director of the NFC parcels

LAZARD BROTHERS & CO, has appointed Mr Alan Saunders. Mr Philip Stevens and Mr David Steyn as directors of Lazard Securities, its investment management subsidiary. Prior to joining Lazard Securities as a director of investment strategy. Mr Saunders was head of the oil pricing unit at Shell International. Mr Stevens joins as chairman of BICC Cables in May. Mr Eric Clark, who joined May. Mr Eric Clark,

Mr Robert Hermans has been marketing director UK and was

Ireland. He joins Bell in April.

Mr David Harley, currently joint managing director, becomes vice chairman with special responsibilities for international projects and trade relations in the UK.

DAKS SIMPSON GROUP has appointed Mr John J. Cohen a pron-executive director from June 1.

Mr Brian Davies has been of Lazard Brothers & Co, has director of BERGER, JENSON of Lazard Brothers & Co, has been appointed to the board of & MICHOLSON. He succeeds ENERGY RECOVERY INVEST-MENT CORPORATION and of Cambridge Petroleum Royalties.

\*\*

HIRAM WALKER INTERNATIONAL has appointed Mr Richard Watling director of marketing. He joins from Rothmans International where he was marketing director of the UK present managing director of present managing director of Hoechst East Africa, becomes overseas director of the group. The appointments are intended to develop closer relationships between the Berger Group and Hoechst.

for Logica UK and Logica International. Dr David Stanley is managing director of Logica Cambridge. In addition to continuing in their current roles, the above will have expanded corporate and international responsibilities.

\*\*NEWCHURCH & CO has appointed as its first chairman Professor Sue Birley, research professor in entrepreneurship at Cranfield School of Management. Mr Kingsley Manaing has been appointed managing director.

The board has also been joined by Professor David Norburn, and marketing director.

In addition to condition to condit

The MIDKEM GROUP has appointed Mr Alan Ashforth to the main board as group sales and marketing director.

The board has also been joined by Professor David Norburn, professor of business policy at Cranfield School of Management and by Mr John Succiffe. Both Professors and Mr Manning were previously directors of The Guidehouse Group and Greyfriars.

\*\*

NATIONAL & PROVINCIAL BUILDING SOCIETY has appointed Sir John Sparrow, Mr David Fincham and Mr Samuel Brittan to the Society's London advisory board. Sir John is a director of Morgan Greufell Holdings and deputy chairman who are currently directors, are

From April 1 Mr Francis Lister and Mr Colin Williams, who are currently directors, are appointed assistant managing directors of BRITISH HOME STORES. Mr Pat Diamond, Mr John Hobson and Mr Ray Nethercott join the board. They are divisional directors and members of the executive committee. Mr Martin Toogood becomes a divisional director and joins the executive committee. Mr Keith Smith is made company secretary. secretary.

Mr Harry Woolley will retire LAZARD BROTHERS & CO, chairman of BICC CABLES in

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116.5 171.5 2,900.0 121.

r 1.00 re 50 Landon Etižis 47.1 re 50 Landon E

to two reasons and the second and th injury' includes loss of life..."

Accordingly, she said, a ship

HIS LORDSHIP said that on
September 9 1980 the Derby.

shire sank off the coast of
Japan with the loss of all contended that a ship fell within "plant" and "vehicle" in

September 1/3) section 1(3). Mr Coltman was third engineer. The plaintiffs brought the present action to recover damages on behalf of his estate and for the benefit of his dependent widow and daughter.

"The plaintiffs brought to the Oxford English Dictionary the seventh meaning of "vehicle" was "any means of carriage, conveyance or transhis dependent widow and daughter.

"The Oxford English Dictionary the seventh meaning of "vehicle" was "any means of carriage, conveyance or transhis dependent widow and daughter.

daughter.

Derbyshire was an "OBO" moved."

carrier of 91,650 gross registered tons, built in 1976. She definition showed the word was used in a sense which was apt ought to have been built to used in a sense which was apt withstand any weather con-ditions. to embrace all forms of convey-ance, including ships.

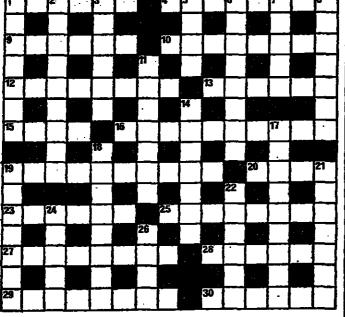
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that not The Princess Alice
Hospice
Hospice
We care for the terminally if of all denominations. We upperty meet donelons to assist us with our names of some of more than \$200,000 p.z.
We will be pleased to fell you how you may be up the principle of the property of the donelons, coverants else Tene 900 --

F.T. CROSSWORD PUZZLE No. 5,976



ACROSS 1 Set a journalist to occupy

a top player (6) 4 Fail—or pass by mistake (8) 9 Cast about and find the drink (6) 10 Old husband incarcerated in vile prison (8)
12 Cartoonist converting a

manor, it appears (8) manor, it appears (8)

13 The way a little citrus tree tends to grow big (6)

15 No Spanish article for him!

(4)

16 To back the employee isn't new (84)

17 A party around the bar Edward left (9)

18 Establishing credit, being a consumer (8)

19 After this a worn-out new (84)

new (6-4) IS Engineers forced to be reasonable (10) reasonable (10)

20 Storm caused by parking on 21 A strict man turned up and deliver (4) drive (4)

23 Wear for formal occasionswhich includes work (3,3)

25 Using lever and breaking it

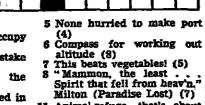
26 Form of hose covering only is a bloomer (8) 27 Sense there's agreement

among rowing men (8)
28 A stone of fish after making some deduction (6) 29 Mark will divide beasts, being a scheming fellow (8) 30 Forward child pocketing a

tip (4,2) DOWN

1 U.S.A. isn't disposed to give support (7) 2 People asking questions of pitmen following cut-back

3 Some gambling dearly love to win (6)

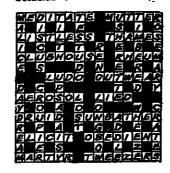


11 Animal-refuge that's about right for a certain group (7) 14 Say mode will change — but

traveller should be ready to

managed to hold it (7)
22 Walker, at one point a

the foot (4) Solution to Puzzle No. 5,975



# **COMMODITIES AND AGRICULTURE**

LONDON

**MARKETS** 

LONDON COFFEE dealers

confessed themselves at a loss

to explain sharp fluctuations on the New York home mar-ket which led to an uncertain

trading pattern in London. The market moved sharply lower in the morning, reflecting overnight losses in the US, but New York's opening

showed a very firm trend and London values bounced up strongly. The May position, which had slipped to \$2,422 a

tonne at one stage, ended the day £16 up on balance at

£2,492.50 a tonne. The dealers said the market remained

very nervous. They thought the early fall was influenced

COPPER

Unoffic

# Australian PM plans **EEC** farm trade talks

By Emilia Tagaza in Canberra THE AUSTRALIAN Prime Min-ister, Mr Bob Hawke, announced yesterday that he would visit several European capitals to take up Australia's concerns about the European Com-munity's Common Agricultural Policy (CAP).

The announcement followed the cancellation of scheduled trade talks in Canberra between the Australian Canana the Australian Government and senior EEC Ministers. An Australian trade department official said the EEC Ministers, including the commissioner for ex-ternal affairs and trade, Mr Willie De Clercq, cancelled the meeting because of what was described as Australia's "un-

friendly attitude."

Mr Hawke's destinations will include London, Brussels, Rome and Athens, and will follow his talks in Washington with President Reagan on April 17.
In Washington, he will discuss ways of reducing the damage to Australia's farm sector from the US Export Enhancement Program and the recently-

enacted Farm Act. He said that Australian agricultural producers are among the least protected yet most efficient in the world. "Any action which tends to damage international agricultural markets and more specifically, the access of Australian producers to those markets, will prompt reaction from (the Australian)
Government."

LONDON METAL EXCHANGE WAREHOUSE STOCKS (Changes during week ending la Friday)

_	(tonnes)
Aluminium Copper Lead Nickel Tin Zinc	-14,100 to172,225 -2,550 to 158,250 -3,150 to 59,425 -570 to 6,342 -2,205 to 69,145 -4,650 to 48,525 (ounces)
Silvan	-70 000 to 40 680 000

### **WEEKLY METALS**

All prices as supplied by Metal Bulletin. ANTIMONY: European free market. 99.6 per cent. \$ per tonne, in warehouse, 2,650-2,710.

BISMUTH: European free market, min 99.99 per cent. \$

per lb, tonne lots in warehouse, 3.20-3.40. CADMIUM: European free

free market, drummed molybdic oxide, \$ per lb Mo, in ware-

market, min 99.5 per cent. \$ pean Court of Justice if per lb. in warehouse, 6.30-6.45. implemented, the president of TUNGSTEN ORE: European the UK Agricultural Supply free market, standard min. 65 per cent \$ per tonne unit WO3.

VANADIUM: European Free

BY ANDREW GOWERS

feverish consultations between

Washington and its allies in atin America, and a lively

debate within the Reagan Administration.

The US Government must decide in the next month whether to ask Congress to renew the technical legislation

allowing for continued mem-bershsip of the ICA after Sep-

tember 30. But routine consideration of this three-year

legislation required by Capitol Hill has become caught up in

a more wide ranging review of the Administration's coffee policy. Criticism of the agree-ment by senior US officials has

been becoming louder and more insistent since the turn of the

largest coffee importing nation purchasing about one-quarter of

the annual exports of producing countries. A decision by Washington not to stay in the ICA

would thus be a fatal blow for

a commodity pact which has recently come under severe

strain as a result of a rise in

coffee prices prompted by this season's drought in Brazil.

pended last month, and many

observers believe it will be poli-

tically difficult to reimpose them, given the likely squab-

bles between producing coun-

tries over allocation of market

The Reagan Administration

has been generally hostile to-

wards international price stabi-lisation agreements for commo-

dities since it came to power in 1981, in contrast with the

policies of its predecessor

national Tin Agreement in 1982 and has persistently refused to ship.

join the cocoa pact.

withdrew from the Inter-

ICA export quotas were sus-

# Tin price below £4,000

TIN PRICES fell below £4,000 a tonne in unofficial markets in Western Europe yesterday on trade reports of offers of metal from banks holding Inter-national Tin Council stocks. Brokers said spot tin was

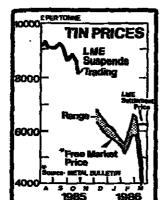
traded at between £3,900 and £4,000 a tonne, compared with the controversial £6,250-a-tonne setllement price imposed on outstanding tin contracts by the London Metal Exchange last

However, it is understood that the tin council has not been notified of any new sales by banks, which hold tin as collateral for their loans. Previously, Arab Banking Corporation, the Bank of Nova Scotia and Banque Indosuez have all sold metal. Bankers said yesterday that it was unlikely that any banks

would rush to sell tin with prices falling so quickly, in the hope that prices might subsequently recover. The market price is now broadly in line with the most

pessimistic forecasts made before negotiations for a rescue plan for the market were aban-doned earlier this month by the tin council and the groups of creditors' banks and metal

culties in October when it ran out of money administering an inter-government price pact, spent yesterday considering the legal battles it will face as the creditors start court action to



recover about £900m owed them. The 22 member-countries were unable to decide whether or not to pool their legal costs.
There were angry exchanges at the council over the leak to a House of Commons Select Committee, which is inquiring into the crisis, of confidential

Zimbabwe in SA maize deal

The tin council, which ITC documents. The Trade and plunged the market into diffi- industry committee last week considered documents which it was told had come to it under the US Government's Freedom of Information legislation. The US is not a member of the Sixth International Tin Agreement, but did belong to the Fifth ITA, which was never disbanded. The US delegate told the council yesterday that he was trying to identify the source of the leak. The UK delegate said that the British Government was embarrassed by the leak and would not ans wer any questions about the documents at the Commons

> to abandon the export quotas it has imposed on tin-producing countries for the past four years. Quotas expire every quarter and have therefore to be renewed if they are to remain in force after March 31. But there is little eign shat the remain in force after March 31. But there is little sign that the council will renew them this time following the failure of rescue attempts for the market. Delegates have still to decide whether they want the council to continue in existence, if only as a research body. The Sixth ITA does not expire until mid-1987.

Today the ITC is expected

committee.

BY TONY HAWKINS IN HARARE

the face of its own position as a strong supporter of comprebensive anti-apartheid sanc-tions. The sensitivity of the 200,000 tonnes sale is indicated by the fact that it has not been reported in the governmentowned media.

South Africa is reported to he interested in buying a fur-ther 100,000 tonnes of Zimbabwean maize, though it may want a countertrade rather than cash deal. The deal follows a cabinet-

level decision to run down Zim-babwe's maize stockpile, which is currently estimated at 1.5m tonnes. With annual consumption running at less than half this level (600,000 tonnes last year), the country is seeking export orders for some 750,000 tonnes of maize during 1986 of which 400,000 tonnes would be sold on a cash basis and the balance of 350,000 tonnes would be eligible for sale by barter.

Zimbabwe is expected to reap

it seems that even with exports of 750,000 tonnes Zimbabwe would start the next delivery season in April 1987 with an unchanged stockpile of around 1.5m tonnes. Financing charges alone for the stockpile are estimated at Z\$40m (US\$25m)

The sale to South Africa has been completed on very favour-able terms for Zimbabwe with a market price of some Z\$212 a tonne, which is understood to be close to the state-owned Grain Marketing Board's breakeven price.

• In spite of downward pressure on grain prices the Australian Wheat Board has been able to lift the guaranteed minimum wheat price to farmers for the 1985-86 season just completed, writes Patricia Newby in

The guaranteed price for Australian Standard White (ASW) which accounts for about 70 per cent of production

ZIMBABWE has agreed a \$26m mates suggesting deliveries this mates from the premaize export deal with South year of around 1.4m tonnes.

Africa which appears to fly in If this forecast is realised, the season and A\$4.52 up on last season's guarantee. For Australian Prime Hard the guarantee will be A\$174.87 and for Australian Hard A\$154.87.

The guaranteed price is not a subsidy. It is a figure esti-mated by the Wheat Board based on expected market prices and the Government guarantees that estimate. It is a minimum figure per tonne that all wheat growers will get.

Sir Leslie Price, said prices to growers were higher than might have been expected because the board had managed to sell more than half the 1985-86 crop be-fore the impact of the US Farm Act began to be felt in lower

More than 10m tonnes have been sold, the biggest customers being the Soviet Union, China and Egypt. This leaves around 8m tonnes, counting last year's carry-over stocks. The board expects to sell around 6m tonnes before October this year, retaining 2m tonnes in stock in case

Animal Feed Manufacturers

last month by Mr Allen Wallis,

coffee trade in Florida last month, Mr Wallis, a zealous

free market economist, delivered a devastating critique

of the coffee agreement on both

economic and political grounds.
All, he said, was clearly not

well with the agreement. At times it had kept prices above

WORLD COFFEE

**IMPORTS 1984/5** 

64-53 Million 60kg bags

it rescinded.

criminates

US alarm bells toll for coffee pact

BY RICHARD MOONEY

THE EEC's planned coresponsibility tax on grain production (Fefac) had agreed to institute SELENIUM: European free will be challenged in the Eurolast night.

VANADIUM: European Free He told the annual dinner of levied on production in excess the saw would only be market, min. 98 per cent V.O., other sources, \$ per lb V.O., Association and the Scottish continent while catching most URANIUM: Nuexco exchange value, \$ per lb U.O., 17.00.

Coffee Agreement? That is a were overriding political. Economic Affairs at the State question which is provoking economic or strategic reasons Department. Addressing the US feverish consultations between

for doing so. In the case of the International Natural Rubber

Agreement, for example, which is up for renegotiation this

year, the US remains favour-

ably disposed — partly, officials say, because the rubber pact

has managed to avoid many of

the pitfalls of other commodity

And on coffee, the govern-ment has so far been prepared

to suppress its economic doubts

over the agreement for political

reasons involving the health of

Washington.

concessions from them as a

price for continued US member-

What has since set everybody

under President Jimmy Carter. posturing designed to wring

IS THE US really preparing to however, to waive that opposi-pull out of the International than In individual cases if there

proceedings against any such tax "in an endeavour to have British farmers oppose the plan on the ground that it disagainst them ecause the tax would only be

# CADMOUM: European free market, min 99.95 per cent, \$ per lb, in warehouse, ingots, 0.75-0.80 sticks, 0.80-0.84. COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 9.60-9.80. MERCURY: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 2.60-9.80. MERCURY: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 2.25-235, MOLYBDENUM: European

# Wheat Board chairman LEAD

ose(p.n £ per Official closing (252.5-3), three m NICKEL

OUALITY GRADE tea averaged 196p a kilo at Monday's weekly London auction, having lost 6p of last week's 10p ZINC advance. Medium and low medium grades were unchanged at 154p and 118p a kilo respectively. The Tea Brokers' Association said demand was good at the sale, where 37,441 packages were on offer, including 3,400 in the offshore section.

# **London auction**

Unofficial + or close(p.m.) -£ per month High /low Official closing (am): 423.5-4 (425-), three months 436-7 (437-7.5), settle-nent 424 (426), Finel Kerb close: 435nt 424 (426), Finel Kerb close: 435-Turnover: 7,500 tonnes. US Prime tem: 30.5-35.75 cents a pound.

Gold fell \$2% an ounce from Mon-day's close in the London bullion market yesterday to finish at \$350%-350%. The metal opened at \$350%-351% and traded between a high of \$351%-352 and a low of \$349%-349%. Trading was confined to a narrow range and there was little impetus provided by the opening of New York. Once again uncertainty on the outcome of the Opec meeting tended to keep many gentle on the sidelines.

GOLD BULLION (fine ounce) Mar. 18 

Krgrind. 35551; 354 (£2391; 240)
12 Krug. £185.1861; (£195); 1261;
14 Krug. \$24.95 (£231; 542)
14 Krug. \$26.59 (£231; 542)
170 Krug. \$26.59 (£231; 542)
170 Krug. \$26.59 (£231; 5451;)
170 Angel \$3501; 362
170 Angel \$3501; 401; 1294.371;
18ew \$507. \$504. \$61; (£24.371;)
19ew \$67. \$504. \$61; (£34.341;)
10d \$69. \$289.1 (£601; £11;)
\$20 Eagle \$480.470 (£291; \$183;)
NoblePlat \$4311; 4551; (£2924; £96)

LME — Turnover: 21 (41) lots of 19,000 ounces.
Three months high/low 401.7p, final

# RUBBER

# INDICES

FINANCIAL TIMES Mar. 18 Mar. 17 M'th ago Yearago \_- \_- 300.64 (Base: July 1 1952=100)

REUTERS Mar.17 Mer. 14 M'th ago Yaar ago 1807.1,1816.8; 1837.1; 2022.3 Base: September 18 1931 - 100)

DOW JONES Dow Mar Mar Month Year Jones 17 14 ago ago Spot 131,40130.27 - 117.01 Fut. 133,95154.40 - 181.18 (Bess: December 31 1931 = 100)
\* Not sveilable due to suspensio of tin LME

MAIN PRICE CHANGES

by a "tred!	continuation ( long liquidation by last week's	of the "trig-	MAIN PRI			
to break	k through char- levels. The pattern was	t resis- cecoa	METALS	Mar, 18 1986	+ 67	Month ago
reverse though Early s values i but the sterling sales a current appeare LME Amalga	of that in on a smaller strength lifted by close to £20 a e gains were gainst recent crop co	coffee, scale, nearby tonne tost as redging Ghana sutracts ied by	Aluminium Free Market Copper Cash h Grade 3 mths Gold Troy oz Lead Cash 5 mths Nickel Free Mkt Patladium oz Frathum oz Guicksiver; Silver troy oz 3 months Tin cash 5 months Tungsten	\$1235/818 £1003 £1022.75 £3550.5 £258.25 182/2126 \$113.58 \$420.00 \$230/25 392.25p 403.40p	+2 +4.5 -2.23 -1.25 +1 +1.85 +7.95 +4.77 +4.77	\$336.5 £256.5 £265.78 \$3,200e \$375.50 \$290.28 \$410.10p \$422.40p
	Unofficial + or close(p.m.) — £ per tonne	Highulow	Wolfram 22.91b. Zinc 3 months producers .	E436	-1 -12	.656/63 2418.5 2428.25 .8850/670
Gash 3 months	801.5-25 +5.5 824.5-5 +4	800-880 851-822,5	OiLS			.200 E
Official (802.5-3).	closing (am): Car	sh 800-0.5	Coconut (Phili) Paim Malayan	5260v	i	5310

Unofficial + or close(p.m.) — £ per tohne Cash 801,5-25 +5.5 800 5 months 884,5-5 +4 851-Official closing (am): Cash 800-0.5 (802.5-3), three mouths 822.5-3 (822.5-3), settlement 800.5 (803). Final Kerb close: 824-5. Termover: 15,850 toness.

OTHERS

Cocoa Ft. May #1530 .5 +0.5 #1645.5
Coffee Ft. May #2492.5 ;+16 | 12495.5
Cotton A Index 52.75c | 55.25c
Gas Oil Apr. | 8158 | +14.5 | 120.2s
Rubber (kilo) | 59p | -----| 14.25p
Sugar (raw) | 3174z | 1 | 5145
Woolbops 64s | 415p kilk | ... | 1280klo Official closing (sm): Cash 1,006-7 (989-1,000), three months 1,022-3 (1,014.5-5.5), satilement 1,007 (1,000), Final Kerb close: 1,016-17. Official closing (am): Cash 397-9 (1993-5), three months 1,010-19 (1,010-2), settlement 399 (995). Turnover: 38,825 tonnes. US Producer prices: 65.5-75 cents a pound.

roune.	April beef was valued slightly higher on the close despite weaker physicals. Pigmast prices were slightly firmer but hedge selling interest re-
ial + or n.) — High/low tonne	mains just above current values, re- ports Eastern Capital-CCST.
-1   255/251   -1.25   266/258	Month   Glose   -   Close   -
(am): Cash 252-3 nonths 250.5-1 (258- 1 (253). Final Kerb nover: 8,325 tonnes.	p. per kile (deadweight)  April

Pigmest sales: 12 (7) tots of 50 carcases, 3.250 kg.
Beet sales: 1 (0) lots of 20 sides.
MEAT COMMISSION — Average tatastock prices at representative markets.
GB—Cattle 95.93p per kg lw (-0.24).
GB—Sheep 222.45p per kg est dcw (+1.28). GB—Pigs 75.62p per kg lw (-2.89). Unofficial + or close(p.m.) -£ per month High/ low

# COCOA

Official closing (am): Cash 2,880-90 2,885-90), three months 2,955-75 2,959-70), settlement 2,890 (2,890), inal Kerb close: 2,920-25. Turnover: Futures opened unchanged although due lower, and following a rally of £18 sased gradually to close unchanged. Some light producer interest was rumoured but consumers continue withdrawn, reports Gill and Duffus. Kuala Lumpur Tin Market—Close 15.4 Ringgit per kg, down 0.6 Ringgit.

Sales: 3,548 (1,903) lots of 10 tonnes. ICCO indicator prices (US cents per cound). Daily price for March 18: 99.98 (98,23); five-day average for

Agenst a poor New York close London opened around 550 lower with selling from commission houses finding trade buying. New York opened steady and rose. forcing London to follow suit. Renewed physical interest was found with good interest in the European market and prices rose quickly, reports Drexel Burnhem Lambert.

Seles: 7,580 (4,051) lots of 5 tonnes, ICO indicator prices (US cents per pound) for March 17: Comp. daily 1979 201\_26 (208.89); 15-dey svarage 207.84 (208.29).

SUGAR

Seles: 1.707 (1.521) lots of 50 connes.
Tate and Lyle delivery price for granueted basis suge; was £224.00 (£223.50) i
tonne for export.
International Suger Agreement—(USients per pound fob and stowed Caribsean perts). Prices for March 17: Daily
vice 6.95 (6.92): 15-day average 6.36
6.281.

& per tonne

POTATOES

SOYABEAN MEAL After a firmer opening good commer-ciel selling was met with speculative buying. Interest was shown in August calls at £3.00 and selling against these options depressed values EOp. Further declines were registered on a weeker

Sales: 886 (67) lots of 20 tonnes.

# US MARKETS

PRECIOUS METALS came under pressure from scattered trade selling and profit-taking. reports Heinold Commodities. Copper traded lower on a slackening in physical in-quiry. Aluminium continued to be bolstered from the drawdown in inventories. Sugar attracted commission house buying on good cash interest. Cocoa gained ground interest. Coton gained ground on arbitrage buying and light producer offerings. Coffce remained steady to sharply higher on the emergence of roaster interest and short-covering ahead of the prospective plantings report. Oil futures were supported on optimism over the Opec meeting and expectations of proing and expectations of product stock drawdowns in the weekly trade stocks report.

Close High 88.90 88.50 88.70 86.00 86.00 86.25 86.80 86.25 87.25 90.00 87.55 87.70 88.05 87.65 PLATINUM 50 tray oz. \$/tray oz. High Low 425.0 477.5 430.0 422.0 432.5 424.5 434.0 428.0 433.5 432.5 Close 423.3 427.6 429.6 432.1 434.6 5,000 troy oz. cents/troy oz. Close 570.7 572.3 578.9 583.3 590.7 501.5 605.4 612.7 620.4 573.0 581.5 589.0 598.0 620.5 625.0 SUGAR WORLD "11 112,000 lbs, cents/lb CHICAGO LIVE CATTLE 40,000 lbs, cents/kb

ORANGE JUICE 15,000 lb, cents/lb

ALUMINIUM 40,000 fb, cents/lb Low 58.65 LIVE HOGS 30,000 th, cents/lb Close 67.00 67.35 67.40 67.90 68.15 68.55 68.90 99.50 Close High Low Merch 238.6 239.0 238.2 Z Z May 225.0 235.2 222.6 Z July 232.6 233.4 Z31.2 Z Sept 215.4 216.4 214.6 Z Dec 209.6 212.0 209.2 Z March 219.0 221.0 218.6 Z May 223.2 Z25.2 Z33.0 Z PORK BELLES 38,000 lb, cents/lb 69.50 69.60 69.90 COTTON 50,000 lbs; cents/lbs 63.42 64.23 43.90 43.82 44.60 45.38 45.38 63.78 43.80 43.82 44.43 46.25 45.60 CRUDE OIL (LIGHT) 42,000 US gallone; 1,0w 537.0 538.2 541.4 540.2 529.0 525.0 534.0 544.0 551.4 Prev 13.20 13.57 13.76 13.96 14.13 14.49 14.67 74.85 14.97 High Low
14.18 13.20
14.50 13.55
14.70 13.70
14.90 13.85
15.13 14.40
15.49 14.80
15.49 15.50
15.50 15.50 SOYABEAN MEAL 100 tons, S/ton GOLD 100 tray oz, \$/tray oz Close 17.53 17.76 18.16 High 17.55 17.79 18.18 383.5 380.5 388.0 387.0 390.0 390.0 381.6 385.9 390.4 18.35 18.46 18.50 18.95 19.00

SPOT PRICES — Chicago loose lard 12.00 (same) cents per pound. Handy and Harman silver bullion 577.0 (same) no 2 soft red winter June 95.25, July 94.75, EC second-heil Agril 142. English feed fob Mar 117.50-118.00, April 119.00-119.80 buyers/safilers, April/June 121.00 setter, Oct 104.00-105.00, Oct/Dec 105.75-106.50 buyers/safilers. Meize: US no 3 yellow/Feench transhipment east coast first-hall April 141.50. Barley: English feed fob Mar 118.00, April/June 127.00 setters, Aug 39.00, July/Aug 98.25 value. HGCA — Locational ex-farm spot prices. Feed barley: S. East 112.70, W. Midlands 111.10, N. West 117.10. The UK monetary coefficient for the week beginning Monday, Merch 24 (bosed on HGCA cafculations using five days' exchange rates) is expected to change to 1,103. or less unchanged against a background of uncertainty in the physical market, reports Clarkson Wolff. Dry Cargo /850 790/789 /770 — 6 — 9 Rumours of new buying by the USSR lifted prices to recent highs, reports C. Czamitow.
LONDON DAILY PRICE—Raw sugar \$174.00 (1719.00), up \$1.00 (up 50p) a tonne for March-May delivery. White augar \$200.00, up \$2.00.

## Turnover: 67 (65).

OIL Brent and WTI edged higher as Opec continued to talk. Nymex fluctuated by over \$1 as Opec rumours circulated and at 1.30 pm EST stood at 55c up for April. In the petroleum products merket gas oil prices also rose steadily in anticipation of a possible Opec settlement but other products were quiet.—Petroleum Argus, London. May ... 184.6. 164.8. 162.0. 182.0. 167.6. 163.0 Aug ... 171.0. 171.2. 180.3. 169.2. 174.8. 179.4 Oct ... 174.2. 174.4. 172.4. 172.4. 177.4. 177.4 Dec ... 174.5. 174.4. 172.4. 172.4. 177.4. 173.0 May ... 184.0. 182.4. 185.2. 187.0. 187.6. 183.4 May ... 188.0. 188.8. 185.2. 187.6. 180.4 Aug ... 182.0. 168.4. 186.2. 187.6. 180.4

\_\_Latest CRUDE OIL-FOB (5 per barrel)-April price 6.85 (6.36); hardy 183.8-4.2; (6.28).

No 6 cif contract—May 183.8-4.2; Aug 189.0-90.6; Oct 193.0-4.0. Seles: 251 lots of 50 tonnes.

PARIS—(FFr per tonne): May 1398-1400. Aug 1435-1435, Oct 1473-1475, Dec 1455-1507, MQarch 1558-1565, May Dugal 11,90-11,70

Brent Blend 124,40-450

W.T.I. (1pm est) 12,70-15,50

Forcados (Nigeria) 14,80-15,50

Urais (CIY MME) 14,80-15,50

Turnover: Nil (nil) lots of 7,000 GAS OIL FUTURES Yesterd'ys + or

166.78 |+14.75 167.75 56.76 153.00 |+14.50 152.50 41.60 147.50 |+15.25 147.50 56.90 |+16.50 146.65 56.50 149.00 |+16.50 166.65 56.76 146.00 |+12.00 147.69.46.00 Sales: 1,000 (593) lots of 40 tonnes. Turnover: 3,237 (1,679) lots at 10 FREIGHT FUTURES

Index. (\$ s berral) (Close, change business done); Index 13.38, -0.51 April 13.50-15.20; May 12.80-14.60; Jun 13.00-14.80; July 13.20-13.15.

مِكَا مِن الْمِل

### key coffee-producing countries and US allies in Latin America. The US coffee industry US 278% appeared quite happy with the pact for the first half of this decade, because it seemed to The US is by far the world's guarantee some stability of argest coffee importing nation prices and supplies after the urchasing about one-quarter of turbulence of the 1970s, and to deter the producers from seeking to rig prices unilaterally. All that may be changing. For EEC 40-6% one thing, the agreement has manifestly failed to prevent a the long-term market level, steep rise in prices over the last six months. The Adminithus levying a hidden tax on consumers and subsidising prostration's current review of duction in exporting countries. count sales to non-members of the agreement, including Soviet received benefits in the form of cheaper coffee estimated to

policy - while taking into account both political and The resulting accumulation economic arguments — is doing of excess stocks had led to disso more critically than ever before, say officials from the State and Commerce Depart- bloc countries which ments and the US Trade received benefits in the Representative's Office in of cheaper coffee estimat average about \$110m a year. The world coffee trade has The ICA's pricing policy could known since last year that a also have been detrimental to sweeping policy review was under way in the US Many the producers' producers were inclined last autumn to dismiss Washington's threats as a form of political

long-term interests, he added: since 1962, when the US joined the agreement, per capita coffee consumption there had dropped by more than 40 per cent.
In addition, he criticised the increasingly complex and onerous controls that the ICA has been forced to implement It has shown itself prepared, buzzing, however, is a speech to enforce its export quotas,

been set and their allocation between producing member We have been frustrated in

our attempts to make the opera-tion of the ICA more market-orientated." he said. "Our adherence to the International Coffee Agreement gives our tacit blessing to what was intended to be a cartel arrangement to control coffee prices worldwide . . . such arrange-ments are inherently unworkable and carry the seeds of their own demise."

Coming from a senior member of the State Departsenior ment, which has previously taken the lead in urging continued US participation in the agreement — and which is likely to be the most influential voice in the forthcoming decision as well — Mr Wallis's remarks set alarm bells ringing in a number of Latin American capitals. The Washington ambassadors of Brazil, Colombla and other countries have since been making forceful representations on the subject to anyone prepared to listen There are indications that the US National Security Council ever mindful of the need to safeguard US allles in battlegrounds of Cer Central America, has also been weigh

ing into the arguments. Whether their urgings will win the day, remains to be seen. As Mr Wallis pointed out, the argument about the role of coffee in the fight against Communism in Central America can be used on both sides: the aid implicitly handed over under the ICA cannot, unlike other economic assistance, be made conditional on the adoption of "sound economic policies." he complained; and it goes to all producers — including some countries, like Nicaragua and Cuba, which the US does not wish to assist.

# SILVER

Silver was fixed 4.75p an ounce higher for apot delivery in the London bullion market yesterday at 382.25p. US cent aquivalents of the fixing levels were: spot 575.2c, up 8.3c; three-months 585.75, up 9.45c; and 12-month 698.6c, up 10.45c; and 12-month 617.75c, up 10.65c. The mattl opened at 3837-3843p (576-578c) and closed at 3914-3823p (576-578c).

Bullion + or L.M.E. + or p.m.
Price Unoffic'i Spot....... 592,25p +4,76 588p 5 months 403,40p +4,80400,5p 6 months 414,25p +6,60 12 months 434,50p +6,76 ...

PHYSICALS — The London market opened unchanged, drifted lower and closed quiet and easier, reports Lewis and Peat. Closing prices (buyers): Spot 59 000 (same): April 57.78p (58.00p): May 68.25p (58.50p). The Kuala Lumpur tob price (Malaysie/Singapore cents) per kg; RSS No 1 was 194.0 (192.0) and for SMR 20 191.0 (same).

JUTE — Merch/April 1986 c and 4 Dundee: BTC \$420, BWC \$420, BTD \$360, BWD \$360. C and f Antwerp: BTC \$400, BWC \$400, BTD \$350, BWD

Old crops eased on early merchant selling, railied, then eased again on a good whipper-to-shipper trade, with speculative selling on July wheat. New crops found shipper support on wheat and merchant header selling on bariny, reports T. G. Roddick.

WHEAT Yesterd'ye + or Yesterdys + or -Mar. 116.40 — 114.35 —0.28 May. 117.90 —0.18 116.35 —0.50 July. 118.80 —0.30 Sept. 99.35 +0.10 97.86 —0.35 Nov. 102.35 +0.16 101.30 —0.65 Jan ... 105.86 +0.18 104.80 —0.85

Business done-Whest March 115.40-5.30, May 118.05-7.85, July 119.10-8.75, Sept 95.30-9.15, Nov 102.25-2.15, Jan 106.75-5.65. Soles: 253 lots of 100 tonnes. Barley: March 114.75-4.35, May 116.90-6.35, Sept 97.30 only, Nov 101.30 only, Jan 104.75 only, Sales: 80 lots of 100 tonnes.

1.ONDOM GRAINS—Whest US dark northern spring no 1 15 per cent Mey 123.00 transhipment east coast. US

Mar. 18 Prev. close

# CURRENCIES, MONEY and CAPITAL MARKETS

### FOREIGN EXCHANGES

# Sterling up from early lows

Sterling recovered from a £ IN NEW YORK shaky start in currency markets shaky start in currency markets yesterday in finish at its best level of the day. A firmer trend in oil prices beloed the pound while earlier rumours of an Opec agreement on limitation of oil production helped sentiment. The pound's exchange rate index opened at 73.8 down from 74.0 last night but recovered to finish at 74.3. Early budget details were also seen favourably with hopes of lower inflation and a healthy trade surplus. the Opec meeting. US housing

starts showed a smaller than expected fail and this gave the dollar a brief fillip but there was an absence of follow through buying and the US unit failed to break out of its recent trading range healthy trade surplus. With uncertainty caused by with uncertainty caused by the current Opec meeting and the UK budget, many people were content to sit on the side-lines. The prospect of an early reduction in clearing bank base rates did not appear to have any effect since domestic interest rates airestly discount some sort of reduction. The named Suiched to break out of its recent trading range.

It closed at a record closing low against the yen at \$175.00 down from \$175.65, having touched \$174.75 during the day, Against the D-mark it was barely changed at DM 22490 from DM 2,2475 and \$Fr 1.8840. Against the French franc it rose to FFr 6.9150 from FFr 6.9065. On Bank of England figures, the dollar's exchange rate index was unchanged at 116.7.

DMARK — Trading range rates already discount some sort of reduction. The pound auished at its best level of the day against the dollar at \$1.4770-1.4780, a rise of 1.25 cents. It was also higher against the D-mark at DM3.3225 from DM 3.2925 and SFr 2.7825 from SFr 2.7800. Against the French franc it rose to FFr 10.2175 from FFr 10.1175 and Y258.5 from Y257.25.

The dollar was confined to a gainst the dollar in 1985-86 is fairly narrow range as the market awaited some outcome of average 2.3310. Exchange rate

POUND SPOT-FORWARD AGAINST POUND

| 1.4820-1.4785 | 1.4770-1.4780 | 0.55-0.53c pm | 2.0350-2.0550 | 2.0450-2.9520 | 0.04cpm-0.05dis | -0.06 0.62-0.49pm | 62.05-0.2650 | 2.0450-2.9520 | 0.04cpm-0.05dis | -0.06 0.62-0.49pm | 62.05-0.2650 | 2.0450-2.9520 | 0.04cpm-0.05dis | -0.06 0.62-0.49pm | 62.05-0.2650 | 0.04cpm-0.05dis | -0.06 0.62-0.49pm | 62.05-0.2650 | 0.749-0.752 | 0.749-0.752 | 0.75-0.752 | 0.75-0.752 | 0.75-0.752 | 0.75-0.752 | 0.75-0.752 | 0.75-0.752 | 0.75-0.752 | 0.75-0.752 | 0.36-0.45c dis | -0.05-0.756is | -0.050-0.756is | -0.050-0.756 4.39 1.48pm -0.06 1.48-1.48pm 6.40 51-51pm -0.71 22-16pm 3.91 121-11pm -4.10 0.45-0.75dis 7.22 51-0.75dis 7.22 51-0.75dis -1.72 510-125dis -1.72 75-195dis -1.43 31-43dis -1.43 31-43dis -1.43 31-43dis -1.43 31-31dis -1.43 31-

DOLLAR SPOT-FORWARD AGAINST DOLLAR

1.4620-1.4786 1.4770-1.4780 0.55-0.53c pm 1.3405-1.3490 1.3430-1.3440 1.30-1.00c pm 1.3675-1.3950 1.3833-1.3889 1.30-1.00c pm 1.3675-1.3950 1.3833-1.3889 1.50-0.54c dis 2.5285-2.5485 2.5285-2.5485 0.54-0.44c pm 1.3-18c dis 2.240-2.2565 2.2485-2.2485 0.55-0.54cpf pm 1.3-18c dis 2.240-2.2565 1.472-14834 1.52-14-1.834 1.52-14-1.524 1.524-1.534 1.527-1.5281 1.2-14fire dis 7.07-7.11 7.04-7.104 1.32-3-10-re dis 7.07-7.17 7.04-7.104 1.32-3-10-re dis 2.7-17-7.201 7.13-7.104 0.50-0.35-0.35cp pm 15.711-15.811 15.784-15.794 3-3-2gro pm 15.751-5.890 1.830-1.830-1.830-0.830-0.830-8cp pm (and iroland are quoted in US currency. Fo 4.39 1.48-1.44pm 3.95
10.25 2.80-2.10pm 7.28
-4.48 1.01-1.05da, -2.57
2.01 1.25-1.22pm 1.95
-3.79 27-31dis -2.52
-0.54 ppr-1-dis -2.52
-0.54 ppr-1-dis -2.62
-8.05 220-280dis -7.06
-10.41 32-34dis -8.54
-5.92 91-10-dis -8.54
-5.92 91-10-dis -3.04
-3.46 51-2-dis -3.04
1.61 0.88-0.84pm 1.96
1.90 8-5pm 1.78
3.88 1.89-1.64pm 3.54

t UK and Iroland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Beigian rate is for convertible francs. Financial franc 46.70-46.80.

### **EXCHANGE CROSS RATES**

as, l/m

2000年100日

2000年 | 1000年 | 1000

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بعد المراجع : العداد المراجع :

Mer.18	E		DM-	YEN	F Fr.	S Fr.	H FL	Lira	C 5	B Fr.
E	0.677	1.478	5.323 2,249	258,5 176,0	10.99 6.915	2,783 1.884	3,750 2,538	2258. 1628,	2,050 1,587	67.90 45,95
AEN DW	0,301 3,868	0,446 5.716		77,80 1000,	3,075 39,53	0.887 10.76	1.129 14.51	679.5 8733.	0.517 7,930	20,44 262,7
F Fr. S Fr.	0.979 0.359				10. 8.672	2.725 1,	5.670 2.548	2200. 811.3	2,006 0,737	66,45 24,40
H FI. Lira	0.267 0.445				2,725 4,526					18,11 50,08
C S B Fr.	0.488 1.473			126.1 580,7	4,984 15,06	1.357 4.098	1.829 5.525	1101. 3825.	3,019	33.1g 100.
Yen per	1,000:	Franch (	fr per 10	k Lime p	er 1,00	D: Belg	Fr per	100.		

**EURO-CURRENCY INTEREST RATES** 

Mar. 17	term	notice	Month	Months	Months	Year
Sterling U.S. Dollar Can Dollar D Gulider Sw. Franc Peutsehmrik Fr. Franc Italian Lire	1159-1219 5-5-5-6 239-259 434-479 81g-834	131g-123g 7-3-7+; 117g-131g 5-5-6-1; 21g-24g 4-3-4+) 9-91g 16-18	11/2-11/8 7%-7% 11/2-21/3- 6%-5/6 4/8-4/6 1076-11/9 16/4-17/4	1156-11 <sup>1</sup> 3 756-7 <sup>1</sup> 2 10 <sup>1</sup> 4-10 <sup>1</sup> 2 5 ½-5 <sup>1</sup> 8 4-4 <sup>1</sup> 8 4 <sup>1</sup> 1 <sup>1</sup> 4-1 11 <sup>1</sup> 3-12 15 <sup>1</sup> 4-16 <sup>1</sup> 2	114-1156 746-719 912-954 5-4-5-8 341-349 456-419 1056-1118 1556-1578	10%-11 73-712 93-960 516-518 33-370 436-412 93-978 1414-1454
B.Fr.(Fin) B.Fr.(Con) Yen D. Krone Asian \$ (Sng)	5.g-5/2 9.91g	10-1014 1012-12 554-578 878,988 714-716	934-10 11-12 675-675 878-938 712-738	958-978 954-1014 612-555 814-854 758-712	87g.91g 9-91g 5-3-51g 8-812 7-6-7-6	814-812 814-834 5/2-5/5 734-814 736-712

Long-term Eurodollars: two years  $74.7^\circ$ , per cent; three years 73.8 per cent; four years  $8.81_2$  per cent; two years  $81_2.83_2$ , per cent nominal. Short-term rates are cell for US dollars and Japanese yen; others two days' notice.

### FINANCIAL FUTURES

# **PSBR** boosts gilts

Long term gilt futures were gested the weaker opening to prices dipped, and bond prices dipped, and bo index 134.2 against 124.9 siz The D-mark was slightly weaker against the dollar in Frankfurt yesterday in rather quiet trading. The dollar closed at DM 2.2480 up from DM 2.2480 on Monday. Earlier in the day it had been fixed at DM 2.2461 from DM 2.2468 and there was no intervention by the Bundesbank. There was some buying interest after the start of trading in New York but this was not sustained. For most of the day the dollar lacked direction with the current Opec meeting creating a good deal of uncertainty.

JAPANESE YEN—Trading range against the dollar in The D-mark was slightly

LIFFE E/S OPTIONS E25.000 (cents per E1)

95-06, but dealers described the 95-06, but dealers described the selling as reluctant, and the contract closed at 95-17, compared with 96-14 previously.

US February housing starts fell 3.5 per cent, but this was less than expected, and bond prices dipped, only to pick up on the downward revision to 9.2 per cent from 15.7 per cent in the rise in January Starts, but reaction was generally muted.

US TREASURY BONDS 8": \$100.000 32nds of 100%

Close High Low Pro March 95-05 96-27 95-31 97-0 June 95-17 96-09 95-06 96-1 Sept 94-22 95-03 95.03 95.2 Estimated volume 5.189 (6,304) Previous day's open int 5,452 (5,443)

**CURRENCY FUTURES** 

POUND-\$ (FOREIGN EXCHANGE) Spot 1-mth. 3-mth 6-mth. 12-mth 1,4775 1,4721 1,4629 1,4515 1,4335

Latast High Low Prev 1,4565 1.4675 1.4505 1.4495 1.4450 1.4465 1.4410 1.4385 1.4350 1.4360 1.4325 1.4275

LIFFE—STERLING £25.000 \$ per £

Close High Low Prev
June 1.4573 1.4520 1.4488 1.4518
Sopt 1.4460 1.4410 1.4410 1.4405
Estimated volume 21 (114)
Previous day's open int 1,771 (3,314)

IMM-STERLING Se per £

# LIFFE LONG GILT FUTURES OPTIONS Strike Calls—Last Purples Strike Calls—Last Purples June Sept Doc Mar June Sept 24 4.32 5.31 — 0 62 2.3 94 3.13 4.23 — 2 40 4.3 96 2.10 3.27 — 2 40 4.3 98 1.23 2.40 — 3.53 5.4 100 0.52 1.63 — 3.53 5.4 Estimated volume total, Calls 5. Puts 31 Previous day's open int. Calls 232, Puts 31 LONDON SE E/S OPTIONS £12,500 (cents per £1)

THREE-MONTH EURODOLLAR \$1m points of 100% LONDON 20.YEAR 12", NOTIONAL GILT £50,000 32rds of 100",

C50,000 32nds of 100°;

Close High Low Prew March 119-30 119-29 119-01 119-07 1

E500,000 points of 100%.

Closa High Low Prev
March 85.31 83.32 85.29 82.34
June 89.29 89.41 89.28 89.30
Sopt 89.71 89.70
Dec 89.94 90.03 89.94 89.77
Dec 89.94 90.03 89.94 88.97
March 90.02 90.10 90.02 90.07
June 80.02 90.10 90.02 90.06
Estimated volume 2,188 (1,686)
Previous day's open int 12,286 (12,143)
FT-SE 100 INDEX
E25 par full index point

Closs High Low Prev March 183.90 164.05 161.50 162.55 June 185.70 165.75 163.40 164.45 Sept 167.70 — 166.45 Estimated volume 587 (573) Previous day's open int 1.841 (1,807)

Prev 92,86 93,04 92,98 92,83

CHICAGO 3 327da of 100%

Latest High Low 97-01
96-00 98-18 95-24 97-01
95-13 95-23 95-05 96-15
94-23 94-31 94-17 95-24
94-01 94-05 93-26 95-03
93-10 93-18 93-06 94-15
92-24 92-25 93-22
91-25 91-26 91-26 92-29
91-23 91-26 92-02 Low Prev 95-24 97-01 95-05 96-15 94-17 95-24 93-26 95-03 93-06 94-15 92-20 93-29 US TREASURY BILLS (IMM) \$1m points of 100%

STERLING INDEX

March 18 Previous

73.6 73.6 73.7 73.7 74.1 74.0

offer 7 1/2

CERT DEPOSIT (IMM) 51m points of 100% 93.01 93.01 93.01 C\$/SDR rate for March 17: 1.60429.

OTHER CURRENCIES 

range against the dollar in 1985-86 is 262.15 to 175.00. February average 184.545. Exchange rate index 196.1 against 157.0 six months ago.

The yen continued to improve against the dollar in Tokyo yesterday. The US unit closed at Y174.90 down from Y175.00 in New York, having touched a record trading low Y174.60. However trading was a little nervous as the dollar was now moving into unknown territory and there was some concern

and there was some concern that the Bank of Japan may attempt to act independently from other G5 nations in order to slow the yen's rise.

**CURRENCY MOVEMENTS** 

74.3 116.7 78.6 185.7 94.4 85.5 134.2 165.7 123.7 71.6 46.4 196.1

Sterling...
U.S. deflar.
Canadian deliar.
Austrian schilling.
Belgian franc...
Danish Kroncr.
Deutsche mark...
Swiss franc...
Guitdor...

**CURRENCY RATES** 

8.30 am ..... 73.8 9.00 am ..... 73.8 11.00 am ..... Noon ...... \* Soiling rate.
† Correction (March 17) Finland—S rate

EMS EUROPEAN CURRENCY UNIT RATES ±1.5425 ±1.6421 ±1.1455 ±1.3654 ±1.5162 ±1.6673 ±4.0856 +1.13 +0.70 -1.00 -0.81 -0.83 +1.09 -1.89 7.98099 2.15953 6.63561 2.43754 0.714222 1469.35

## **MONEY MARKETS**

# Bank declines to hint on rates

tance and a take-up of Treasury bills drained £596m, with banki balances absorbing £15m, These outweighed Exchequer trans-actions adding £320m to liqui-dity, and a fall in the note cir-culation of £50m. The London money market continued to anticipate a cut in clearing bank base rates yesterday, but received no encouragement from the Bank of England, ahead of the Chancellor's Budget statement. Three-month interbank was unchanged at 111-114 per cent pointing towards a culation of £50m.
In Frankfurt call money eased In Frankfart call money eased to 4.65 per cent from 4.70 per cent, ahead of the Bundesbank's tender for a 35-day securities repurchase agreement. Bids totalling DM 9.4bn were accepted, at the minimum level of 4.30 per cent. Banks bid for a total of DM 13.9bn in liquidity, and successful applicants will be credited with the funds today. The alocation by the German central bank was regarded Interpank was unchanged at 11; lif per cent, pointing towards a reduction of at least i per cent in base rates. The discount houses were very reluctant to sell bills to the authorities at present dealing rates, and the authorities could find virtually no perer to relieve vectoriav's aumonnes could find virtually no paper to relieve yesterday's credit shortage. Almost all the day's help was provided through late assistance, but still appeared to supply only half the amount required. Overnight interbank rose to 16 per cent in late trading. NEW YORK RATES (Lunchtime)

late trading.

The Bank of England initially forecast a money market shortage of £250m, but changed this age of £250m, but changed this to £300m in the afternoon. Total help amounted to only £150m.

The Bank of England did not operate in the market during the marning, and in the afternoon bought a mere £5m bills ouright, by way of £1m bank bills in hand 1 at 12½ per cent; and £4m bank bills in band 2 at 12½ per cent.

operate in the market during the marking, and in the after noon bought a mere £5m bills Two month outright, by way of £1m bank bills in band 1 at 121 per cent. and £4m bank bills in band 2 at 121 per cent.

Late assistance of around £145m was then provided.

Bills maturing in official hands, repayment of late assis-Treasury Bills & Bonds

MONEY RATES

Merch 18	Ov'r-nig't	Month	Months	Months	Months	in'v'tin
Frankfurt	8-11 <sub>8</sub> 55 <sub>8</sub> 53 <sub>2</sub> 5.21876 175 <sub>8</sub> -18	6.65625 1679-174	, 84-8% 	578 4 578 4 57 512 5,40685 1614 1666		

as generous, with dealers expec-ting around DM 8bn in new money, while DM 6.6bn will flow out of the market today as an earlier agreement expires. Credit conditions are expected to remain tight, with banks slightly below the required daily average of DM 50bn in mini-mum reserve holdings, during Seasonal tax payments, the end falling during the Easter boliday, and demand for cash mum reserve holdings, during the first 15 days of March.

UK clearing banks base lending rate 121 per cent since January 9 over the holiday period, are likely to keep liquidity tight until the beginning of April. FT LONDON INTERBANK FIXING (11,00 a.m. March. 18)

Three morths US dollars bld 7 5/8

five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Benque Nationale de Parle and Morgen Gueranty Trust. The fixing rates are the arithmetic means, rounded to the nearest one-statement, of the bid and offered rates for \$10m quoted by the market to LONDON MONEY RATES Mar. 18 

Tressury Bills (seil): one-month 11% per cent; three-months 11% per cent. Senk Bills (seil): one-month 11% per cent; three-months 11% per cent. Tressury Bills: Average tender rate at discount 11.1536 per cent, ECGD Fixed Finance Scheme IV reference date February 5 to March 4 (Inclusive): 12.654 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Class Houses Base Rates 13 per cent from March 1 1396. Bank Deposit Rate for sums at seven days' notice 5-6% per cent. Certificates of Tax Deposits (Series 6): Deposite £100.000 and over held under one month 12% per cent; somitime months 11% per cent; somitime months 11% per cent; mine-12 months 11 per cent. Under £100.000 11 per cent from March 12. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 7 per cent.

Company Notices

LEUMI INTERNATIONAL INVESTMENTS NV USSEQ.600,000 GUARANTEED FLOATING RATE NOTES 1968 EXTENDIBLE AT THE HOLDERS OPTION TO 1991

The interest, amounting to USSS9.29 per \$1,000 principal amount of the Robes will be paid on 19th September 1986, against presentation of Coupon No. 9. BANK LEUMI TRUST COMPANY OF NEW YORK Principal Paving Agent

ITO-YOKADO CO., LTD.

The Board of Directors of the Yokado Co. Ltd. has announced that share-boders, who will be registered in the soks of the Company on February in, 1986 (Tokyo time) will be will be receive a 100% (1931). Consequently the undersigned designated div con. no 30 of the CDRs for this purpose. In Japan the Shares were traded ex tomus as from February 25th, 1986. A YKAPNUS

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452 Felds Avenue, NA, NY 10068 An Affairer of Republic Watlespal Bank of New York

NOTICE TO BOMDHOLDERS

USS50,000,000 81 per cent Bonds due 15th March, 1989

Parsuant to the terms and conditions of Bonds, notice is hereby given that during the twelve-month period beginning on 15th March, 1985, the Company has purchased USS2,500,000 principal amount of the aubject Bonds in satisfaction of the Purchase Fund requirements.

As of 16th March, 1985, the principal amount of such Bonds remaining in circulation was USS27,500,000.

CITIBARK, N.A., London

March 18, 1985

Office Equipment

REDUNDANT CHAIRMAN'S SUITE! RECEPTION FURNITURE/ CONFERENCE TABLES,

FIRE RESISTANT CABINETS. TELEPHONE: 01-549 9339

Appointments 4 8 1

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PUBLIC CORPORATION OF THE
FRENCH STATE
(Law On nethosalization of Electricity
and Gas of April 8, 1946) Registered Office: 2 rue Louis Murat - PARIS (Sénse) Bonds 8.50% 1971-1986 of USD 1.000 USD 1.000

The holders of 81% bonds 19711985 of USD 1.000.00 are informed that all the outstanding accurities will be restemble at par at the linal maturity on May 1. 1986 at the indices of the following establishments:

—Banque Parbas, Paris
—Credit Lyonnais, Paris
—Credit Lyonnais, Paris
—Credit Lyonnais, Paris
—Credit Commertial of France, Paris
—Society Generale, Paris
—Lazard France, Paris
—Society Generale del Lavoro, Rome
—Society Generale del Lavoro, Rome
—Society Generale de Banque,
Bruselle:
—Banque de Paris et des Pays Bas, pour le Grand Duche du -Sociate Gefferare un consensus Bruxelles.
-Bandus de Paris et des Pays Bas, Bas de Conche du Conche du Conche de Co

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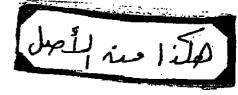
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			ncial Times Wednesday M	larch 19 1986
BRITISH FUNDS  BRITISH FUNDS  198586   Price   + or   Yield   198586   Price   + or   Div   Yield   Fight Low   Stock   £ -   Gress   C'w Gr's	LONDON SHARE SERV	ICE   ENGINEERING Con   1985-706   Stock   Price   -	Net Cw Gr's PrE   High Low   Slock	Price   Net Cw 6/5 PE 157  -1 tb 0 83 55 96 148   166 31 61 75 £144  -16 0175 52 34 5.6 45   170
"Shorts" (Lives up to Five Years) 209 113/Bronsock 26 24 1	BUILDING, TIMBER, ROADS—Cont. DRAPERY & STORI	S—Cont. 176 - 751 19 Brown (John) 288 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	8.2 26 4.1 13.7 35 23 Anglo Norde: 405 86 Appletore (A. B. P) 10p. 172 3.2 3.5 12.8 42 24 Aversion 10p. 172 3.2 48 10.1 30 15. James Trust 10p. 12.5 2.6 4.8 10.1 30 15. James Trust 10p.	36 -5 60 29 22 22 36 -2 62 70 10 145 77 - 6 - 6 - 6
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96.1 90.4 reas 7 lest 1985-88; 96   14   8.07   10.14   1550   300   Cost Illiness Hides S1   5.19     100.4   10.07   10.35   360   370   400 provide Outs Sentes   5.19     98.2   47.0   10.33   36.4   27.4   27.0   27.4   27.0   2	112 85 Feb. lett. 1.0p 85 102.9 0.7 7.0 (6.1) 73 340 Warehouse 92 56 00 W 10p 63 12.9 0.7 9.4 134.2 73 45 Wassii J. W.J. 57 192 56 00 W 10p 63 12.9 0.7 9.4 134.2 137 140 HWicker 80p 195 195 195 195 195 195 195 195 195 195	1.65 58   25   73   187   1201-1/Crown House   186     187   1201-1/Crown House   186     187   1201-1/Crown Rose   187   1201-1/Crown Rose   187   1201-1/Crown House   187	034%   19	74 1.5 4.0 2.7 9.6 36.8 -5 9.38 2.8 3.6 18.9 1255 -10 0.99 92.0 15.4 - 460 8.75 12.1 2.5 17.8 53.0 -30 18.8 2.2 4.9 12.4
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Five to Fifteen Years	305   255   Latham (J.) El.   290   +2   13.25   18   6.5   10.2   30.37   180   Allestic Capatr 10p   275   99   64   Lavereze (W.)   99   +2½   M3.65   3.1   5.3   7.3   88   59   Calley (F.J.C.)   88   13.64   17   59   11.9   200   136   Marter Sec 10p   128   130   93   4.0s. & Chrisciste   330     5.6   2.0   6.2   11.6   333   185   81.0C 50s.   333   334   191   1.0set 10p   139	h1.69 8.0   0.9   14.7   533   194   Hamper Models 9	111.8 3.3 1.2 9 1.2 1 3.3 9 4 6 18 6 18 6 19 19 19 1 11.8 3.3 1.2 9 1.2 1 33 9 4 6 18 6 2 19 19 19 19 19 19 19 19 19 19 19 19 19	933 1.712.3 0.5 22.4 1894 35 \$ 27 \$ \$ 200 \$7.0 1.3 \$ 27.7 6.0 40 3.5 12.9
1174 100 (Erth 13-96 1993 (220m) 27   42 9.53 9.69   424 1249   9/10   144   100   1	315 175 millstring Same 219 229 17 12 224 23 17 16 224 23 17 16 224 23 17 18 224 23 17 18 224 24 17 17 12 224 24 17 17 12 224 23 18 12 224 24 17 17 12 224 24 17 17 12 224 24 17 17 12 224 24 17 17 12 224 24 17 17 17 18 2	-1 <sub>6</sub> Q64c - 3.0 - 183 89 MI - 181 -2 352-11	10 B 375 185 Boot (Henry) 50p	279 +6 162 32 180 279 +6 20 33 - 33 - 31 145 23 38 145 38 145 38 145 25 49 193
115- 1100 Each 12-9c 1994 115- 115- 115- 116- 116- 116- 116- 116-	123   73   Iday & Hassell   123   142   373   - 44   - 30   10   Balgan W 59   15   247   112   Meyer let.   246   47   15.25   35   30   13.2   206   102   Balgan W 59   15   28   14   Miller (Stat) 10p   25     20.5   2.9   - 16.3   45   48   48   48   48   48   48   48	+3 \$6.56 13 ; 20.0 71 32 Linguis (17.5 36 -2 20 4.4 1.4 19.6 39 2114 coxes (17.5 36 -2 11.4		42
1034 694 Each 104pt 1995; 1184 1913   162	202   142   Notingham Brick   202   42   65   51   46   15.1   165   24   6CPS Computer 200   26   825   600   Pearre (C. H.)   675   677.75   71   46   12.5   64   20   6CPS Computer 200   26   675   677.75	238 112 McGretone Bros. 196 -1 +2 49.5 29 20 193 123 59 Megant 50 121	1 (\$M9.01.71 6.6 13.8 256 153 British Vida	263m-3 70 0 38 0 367
1274   1075   1076	574   344   RMS.   574   19.3   33   32   13.9   25   128     127   128   13.7   13.8   13.9   13.	-1 B 30 9 Negrend. 299.24 216 118 Neel (James) 208 126 118 Neel (James) 195 - 1 1.05 75 17 97 116 10 Noble 6 Lead 109 103 11 1 30 48 96 and 258 Prohy-historiky 392 + 2	4   40.7  4   1.0   9   91   77   #CCA Galleries 10p. constrials   66   40   CH industs 10p	27 17 61 137 28 1 27 17 61 137 40 1 27 17 18 18 18 18 18 18 18 18 18 18 18 18 18
1999   1999	177   93 Roberts Adam	4.0 4.2 2.0 lb.8 277 99 Parter Chad. 200 223 4 1.27 2.8 2.1 21.6 15 8 Parter (Bad. 200 245) 1415 1.15 7.2 2.9 20.4 265 125 to BycCarRedPri 245 2 -5 12.97 3.6 1.4 26.9 172 78 RHP 166 2 4.24 3.4 2.8 12.4 184 8114 Resource State 184 184 184 184 184 184 184 184 184 184	2 190.85 0.2 0.5 - 235 115 4CVD inc. 50.01 22 0.8% - 33 - 39 27 Caper loads to 82 20 20 4.25 3.0 3.7 12.2 114 92 Do. Bluc Chr Pf 1 50.0 4.0 4.0 4 102 92 Do. Bluc Chr Pf 1 50.0 4.0 5.0 4.0 5.0 84 32 Cape loadstires	1 99 84 - 121 - 156 26 ; (44)
25   43   9.31   9.44   483   30   50   70   10   10   10   10   10   10   1	555   300   Smitall (Wm)   525   10.0   5.5   2.6   7.4   177   115   \$001 Group \$50   152   79   5.5   Smart U.1 l0p   79   44.35   1.3   7.9   14.4   47   45   40.1   452   2.5   Tarmar \$50p   48.2   +20   18.0   28   2.5   18.9   84   6.2   0.6   6.2   1.6   7.7   1.5   6.5   7.6   6.5   7.6   6.5   7.5	+2 1.0 7.8 0.9 18.4 17 80 Fram H sas 100 156 157 157 157 157 157 157 157 157 157 157	1 420 3.1 40 1135 133 108 106.840c Cm Cn Pi. 2 21.6 20 10 10 41 Cest Sheered 50 20 11 Centronaly Ind 100 11 11 Centronaly Ind 100 11 11 11 11 11 11 11 11 11 11 11 11	381 010 21 37 179 6 01 08 0 19 01 08 0 76 385 18 72 108 238 +3 11.0 09 65 220
1134  Teas. 146c '98-01	377   225   Trans & Arnold   375     7.92   34   3.9   14.0   37   14   Devahars W   100   37   37   17   17   17   17   17   17	109 33 4.1 8.4   131.4 E164.5KF AB Sk50   528/24*   10134: 0.4 25.3   159   128 SPP 10p   158m   159	4. 620°4 • 4.3 • 182 188 • Schemaal Methods 1 182 190°6 190°	131 -3 060d 29 4.1 65 320 155 33 25 165 331 18 30 756 33 15 66 146 343 15 66 146 343 15 66 146
1164 100:21 ress. 11-yc: 2001-04	285   126   Ward Hidgs. 10p   270   7.25   2.6   3.8   14.4   445   255   Electromps 10p   440   445   44	55   5.5   5.5   1.7   23.7   44   27   Smith Wist. 50   35   5.	2 2 49 4 Colorgen ins 90 01 199 101 Colored ins 90 01 109 109 109 109 109 109 109 109 1	180 1851 23 43 1851 25 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
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1274  1100  Each 12pc 13-17	256   122   Allied Collock 10p   1865     2.3   3.8   1.8   19.7   184   104   Ferrard 10p   252     8   368   276   Assertion Int		1 1.7 1.5 6.7 10.9 88 3 350 lp.0cc 50. 1.5 1.8 5.6 143 9 2 22 IDSC 100	990 30.0 21 43 128 40.0 24 0 8.6 0
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Financial Times Wednesday March 19 1986 INVESTMENT TRUSTS-Cont.

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### **MARKET REPORT**

Account Dealing Dates Option \*First Declara Last Account Dealings tions Dealings Day Mar 10 Mar 26 Mar 27 Apr 7

Apr 1 Apr 10 Apr 11 Apr 21
Apr 14 Apr 24 Apr 25 May 6
"New-time" dealings may take
place from 9.30 am two business days

The immediate reaction to the Chancellor's Budget proposals was one of delight in London stock markets. Leading shares aggressively extended an earlier idvance with the emphasis on likely beneficiaries of his decision not to increase excise duties on beer and spirits or implement special windfall tax impositions. The major clearing Banks along with the Brewery leaders made exceptional head-way. Many Stores also went sharply higher, before easing from the best, and the overall late buoyant scene was reflected in the FT-SE 100 share index. It closed 21.8 up at a record 1,644.4.

Gilt-edged trading ceased at 3.30 pm but the market is confidently expected to open higher this morning. Ahead of the Budget, fresh overseas and domestic buying ensured a firm tone which was reinforced at 2.30 pm by the announcement of a highly favourable PSBR figure; during February there was a net a highly favourable PSBR highe; during February there was a net f0.4bn repayment. Shortly before the official close the authorities were bid for supplies of the partly-paid long tap. Conversion 9 per cent 2000 "A." The Government Broker sold stock at 20% and then withdrew the price.

Longer-dated stocks finally settled around 1 up while shorter maturities managed gains rang-ing to 1. Index-linked issues, however, weakened on the pros-pect of lower UK inflation, which the Chancellor confirmed in his Budget speech. Sterling im-proved late despite expectations that bank base rate lending rates would be reduced later this

Earlier in the session blue chip industrials had given another demonstration of their underlying strength. Most opened lower following Wall Street's marked reaction overnight but recovered to stand marginally better before midsession. Selective demand for many leading issues, some of many leading issues, some of which remained in short supply, fuelled the upturn. Prior to the Chancellor's measures, the FT Ordinary share index had regained an early loss of 9.6 and was around 5 points up: it ended a net 16.9 higher at 1,374.6.

Clearers soar

Already up to 12 higher at the "house" close in further response to recent bullish notices from stockbrokers Rowe and Pitman and Wood Mackenzie, response to recent bullish notices from stockbrokers Rowe and Pitman and Wood Mackenzie, Access Satellite encountered clearing banks advanced strongly after-hours. Investors, relieved that the sector had escaped from any financial services or "windfall" taxation measures, chased quotations higher still and found stock in short supply. Street influences before picking up to close unchanged at 9920.

Bellway gained 5 at 178p, and Bryant 4 to 111p. USM-quoted despite a statement from closed 15 to 11 to

**EQUITY GROUPS** 

# Budget proposals fuel strong late surge in equity leaders

of 39 to a new peak of 855p while Barclays gained 32 at 545p Lloyds ended 27 better at 610c and Midland touched 505p before closing 18 to the good at 500p. Elsewhere, Union Discount rose 13 to 703p ahead of today's annual general meeting, while Clive edged forward a penny to 48p following news of the cash bid of 50p per share from Pru-dential Bache, the US securities

settled after-hours' following the Chancellor's planned creation the Chancellor's planted creation of a major new scheme to encourage investment in UK equities. Abbey Life ended 9 down at 207p and Equity and Law were 10 off at 278p, while Legal and General reacted 17 to \$12p and Prudential lost 18 at 892p. Britannic gave up 11 at 897p, as did London and Manchester, at 879p.

chester, at 879p. Wellcome, a firm market recently reflecting encouraging reports about its research into the treatment of AIDS, dipped to 220p initially before renewed demand left the close 3 dearer

on balance at 233p.

The drinks sector responded to
the surprise absence of excise duty increases with marked en-thusiasm. Leading Breweries, having traded in nervous fashion recently, were immediately marked up to 30 higher as brokers quickly upgraded profits forecasts. Bass advanced 35 to forecasts. Bass advanced 35 to 755p, after 760p, while Allled-Lyons touched 316p before settling 15 higher on balance at 312p. Grand Metropolitan, 386p, and Whitbread "A." 282p, rose 16 and 17 respectively, while Guinness finished 12 higher at 290p. Regionals were also wanted with Wolverhampton and Dudley. with Wolverhampton and Dudley, 12 up at 490p, and Greene King, 9 to the good at 226p.

A modest mark-down at the outset encouraged fresh demand for leading Buildings and quotations finished on a distinctly firm note. Tarmae led the advance, rising 20 to 452p, while Blue Circle gained 13 more to 661p. Redland closed 6 higher at 426p and BPB Industries 5 dearer at 453p. Timber issues attracted good support under the lead of Magnet and Southerns, 8 higher at 162p Meyer International at 162p. Meyer International moved up late to close 7 to the good at 246p. Selected house-building issues improved on hopes of lower mortgage rates. Beliway gained 5 at 176p, and Bryant 4 to 111p. USM-quoted Access Satellite encountered nervous selling and closed 15 lower at 65p, but Thomson T-Line Caravans rose 10 to 188p; the latter's shares are due to be quoted ex rights today.

FINANCIAL TIMES STOCK INDICES Mar. Mar. Mar. Mar. year 18 17 14 13 12 11 200

Government Secs..... 89,98 88,53 88,57. 88,43 88,88 88,92 80,46 Fixed Interest........ 93,06 92,93 92,90 92,97 93,21 92,62 84,21 Total bargains (Est. 41,093 38,553 34,110 046,772 35,656 40,694 25,271 Equity turnover £m. - 763.10 930.12 1837.33 988.46, 745,81 354.99 Equity bargains ..... - 40,196 40,332 43,098 43,117 38,251 22,593 - 303.3 382.1 428.1 435.4 343.5 186.8

10 am 1348.3, 11 sm 1355.0. Noon 1359.8, 1 pm 1361.4. 2 pm 1363.3,
 3 pm 1362.8, 4 pm 1364.3. Day's high 1374.9. Day's Low 1348.1, Basis
 100 Government Securities 15/10/25, Fixed Interest 1528. Ordinary 1/7/26.
 Cold Mines 12/0/25 SS Activity 1074. Latest Ledge 01.246 9073 statistics of 12.60.

	Gold Mines 12/9/55. SE Activity 1974. Letest Index 01-246 8028. *Nil=12.69. † Corrected.  HIGHS AND LOWS  S.E. ACTIVITY									
		ō/ <b>8</b> 6	<del></del>	mpilet'n		Mar 17	Mar. 14			
	High	Low	High	Low	Daily					
Govt. Secs.	88.92 (11/5/86)	78,02 (28/1/88)	127.4 (9/1/55)	49.18 (3/1/78)	Gilt Edged Bargains Equities					
Fixed Int	93,21 (12:3:66)	82,17 (28,1/85)	150,4 (28/11/47)		Bargains Value 5 dayAverage	1582.8	1880,0			
Ordinary	1374.6 (18/6/86)	911.0	1874,6 (18/8/86)	28(8)48)	Gift Edged Bargains Equities	196,8	192,9			
Gold Mines	586,9 (15,4/85)	217.6 (5/11/86)	734,7 (15/2/88)	43.5	Bargains					

mixed. Laporte, down to 400p initially, attracted late support to close a couple of pence dearer on balance at 405p. Anchor settled 3 cheaper at 232p, after 225p, but Hickson International firmed 4 afresh to 422p; the latter's annual results are due next Monday.

Stores buoyant

Leading Retailers, already a few pence to the good, responded to the prospect of increased con-sumer spending as a result of the Chancellor's proposals. Quotations finished slightly Quotations infished slightly below best levels in most cases, but gains still extended well into double-figures. Marks and Spencer were particularly good at 212p—a net advance of 14, while other noteworthy improvements included Burton, 15 up at 2175 at 15 up 24 ments included Barton, 13 up at 317p, after 320p, and Storehouse, 17 better at 345p. Combined English Stores, scheduled to reveal preliminary results next Tuesday, closed 7 higher at 198p. Woolworth put on 7 to 610p, despite a statement from

Thers

net decline of 3, as bid hopes resurfaced. Electrical majors improved

Electrical majors improved late to close at, or very near, best levels of the day. British Telecom finished 5 dearer at 222p and Plessey 6 higher at 228p, while BICC edged forward a few pence to 333p and GEC hardened 2 to 204p. Thorn EMI, moved against the trend and lost at 472p. Elsewhere LIEI moved against the trend and lost 7 at 472p. Eisewhere, UEI reflected revived speculative support with a rise of 12 at 274p and Brown Boveri Kent moved up 2 to 105p, after 107p, on buying ahead of the forthcoming results. Electronic Rentals added 2 at 550 cm as investment recom-2 at 58p on an investment recom-mendation and Sunleigh attracted further speculative support on asset injection hopes and closed a penny up at 241p, after 25p. Mnemos, however, lost 4 more to 35p after further con-sideration of the third-quarter deficit.

Interest in the Engineering sector fell away to a relatively low level. Among the occasional outstanding movements, BM responded to the good annual results with a rise of 15 at 175p. Davies and Metcalfe "A," in contrast, reacted 13 to 65p on further consideration of the preliminary statement. Still reflect-ing Press mention, Hall En-gineering firmed 6 further to 186p. John Brown came to life at 24p, up 3, while S. W. Wood were also noteworthy in smaller priced ssues and closed 4 up at 31p.

Attention in I centred on S. & W. Berisford.
Up 24 late on Monday following
Ferruzzi of Italy's acquisition of
a 9 per cent stake at 225p per share, Berisford were actively traded amid rumours that Tate and Lyle was adding to its holding and the close was a penny dearer on balance at 226p, after 228p. Hillsdown Holdings, which yesterday revealed that it had

YESTERDAY'S

**ACTIVE STOCKS** 

a shade easier at first, picked up late in the day to close a few pence better in places. Tesco failshed 3 dearer at 333p and ASDA-MFI a couple of pence better on balance at 148p.

Trusthouse Forte, the subject of US bid rumours in recent days, opened a couple of pence cheaper at 192p, but moved forward on the reappearance of

increased its stake in Berisford

to 10.39 per cent, gained 8 to 248p, while Ranks Hovis Mc-

Dougall, where Berisford holds

nearly 15 per cent of the equity, spuried 8 to 215p. Food Retailers,

ward on the reappearance of buyers to close 2 firmer on balance at 196p. **Boots** higher

Leading miscellaneous industrials, inclined easier initially, rallied on the appearance of buyers. Boots, reflecting a particularly good performance by the Store sector, featured again with a fresh rise of 8 at 279p. the Store sector, featured again with a fresh rise of 8 at 279p. Beecham, down to 340p at one stage settled 7 dearer on balance at 355p, while Hanson Trust ended a penny firmer at 180p, after 177p, and Trafalgar House finished a couple of pence higher at 331p, after 324p. Elsewhere, comment on the interim results prompted profit-taking in Prestwich Holdings which fell 10 to 144p, after 136p. Associated British Ports continued to make progress at 530p. up 7, while Expanset, reflecting satisfactory preliminary results, firmed 3 to 168p. Fobel, still benefiting from proposed public issue of its Canadian associate company, Premium Forest Products, advanced afresh to 65p before closing 7 higher on the day at 63p. Thomas Jourdan met with profit-taking following comment on the preliminary figures and gave up 6 to 186p, while recent bid favourite. William Baird reacted 30 more to 530p.

Antomotive Products, the subject of a successful bid from

Automotive Products, the subject of a successful bid from BBA, rose 4 to 228p following the sharply increased prelimi-nary profits. Other Motor Comnary profits. Other Motor Components, however, gave modest ground where altered. AE encountered prot-taking and dipped 6 to 176p despite news of a sizeable contract to supply pistons to Opel. Armstrong Equipment eased a couple of pence to 122p ahead of today's half-timer. Among Paper/Printings, St Ives spurted 95 to 785p in belated response to the acquisitions of

response to the acquisitions of Chase Web Offset and EMAP's magazine printing operations for a combined consideration of £23.5m.

Leading Properties continued to trade quietly. Land Securities softened a couple of pence to 315p on lack of interest, while MEPC closed 5 lower at 5. Down at 5. Dow

Courtanids continued firmly among Textiles, rising 3 more to 239p. Dawson International closed 4 dearer at 254p, after 256p, following news of the legal action being taken against Coats Palons, 5 up at 294p. Successful bidder for CP, Vantona Viyella, ended 10 higher at 502p. Youghal revived with a speculative rise of 21 at 81.

Bats advanced to 408p at one stage in response to renewed US

Besed on bargains recorded in Stoc Exchange Official List.

F1.416

14 12.50

**ACTIVE STOCKS** 

**MONDAY'S** 

support before reacting on the Chancellor's Budget measures to finish a net 10 dearer on balance

Exco International were par-ticularly volatile and dipped to 213p before settling only 7 cheaper on balance at 225p following the £30m provision against Far-Eastern losses.

Oils gain ground

Hopes that the current Oper meeting in Geneva could resul in an agreement to limit oil production gave a boost to crude prices and leading oil shares. The latter made good progress during the morning and early afternoon, but eased back a shade ahead of the budget. Name of ahead of the budget. News o increased taxation on petrol had little immediate impact on sent ward a few pence further to record strong gains on the ses-sion. BP and Shell closed 17 higher apiece at 565p and 760p respectively.

Overseas Traders provided a rare duli feature in Paterson Zochonis which encountered occasional profit-taking after the occasional profit-taking after the interim results and closed 10 cheaper at 250p.

A generally subdued South African mining sector was featured by renewed strength in De Beers which raced up 15 more to 495p following sustained Johannesburg and Continental support.

support. Golds, on the other hand, were Golds, on the other hand, were unsettled by the rise in sterling against the dollar, the easier trend in the bullion price and Monday's neutral South African budget. Little in the way of selling pressure was reported but general lack of interest saw prices drift easier throughout the session. The Gold Mines index eased 0.9 to 317.4 while the bullion price gave up \$2.25 to \$350.5.

to \$350.5. Apart from De Beers the Financials provided firm features in the UK-registered Rio Tinto-Zine, which, boosted by press suggestions of a possible bid, jumped 18 more to 662p for a two-day rise of 32. Consolidated Gold Fields, rose 16 to

Another advance to record levels by overnight Sydney and Melbourne markets encompassed the leading mining issues which have been left behind in the recent upsurge. In Golds Central Norseman advanced 25 to 403p. Among the more speculative stocks Westmax, suspended at 50p on February 3, were re-listed at 105p following news that at 105p following news that Goward Investments has taken a

30 per cent stake in the com-pany; the shares touched the equivalent of 135p at one point during dealings in Australia Elsewhere, South Africa's Free

State Development and Investment Corporation surged 50 to a year's high of 240p following news that the company is engaged in talks with another company, the outcome of which could have an impact on the

RISES AND FALLS.

	Rises	Falls	
British Funds	95	12	6
Corpns. Dom. &	_	_	
Foreign Bonds	17	10	47
Industrials	268	360	878
Pinancial & Props.	93	139	339
Qiis	20	25	76
Plantations	3	2	10
Mines	44	27	110
Others	41	97	58
ORIGIS			

RECENT ISSUES

_								
lesue price	Amount puid up Latest Renung.	1986 High Low	Stock	Closing	+ or	NET.	Times	A Viola
160 165 105 105 127 145 19 # 380 120 120	F.P. 1844 F.P. 1844 F.P. 1445 F.P. 2743 F.P. 2744 F.P. 2745 F.P. 2745 F.P. 2745 F.P. 2745 F.P. 2745	194 180 135 127 68 65 195 198 165 138 146 134 140 134 140 134 177 165 900 780 94 85 25 27 102 95	**APP Hidgs. 10p Chillington Corp. Do. Defd. Gold Greenlees T. Sp. Jarvis Porter 10p Macro 4 Sp. SMenvier Swain Sp. SMicrosystems 10p PPL 10p Rodime 5p. SSpice Sp. Telfos Warrants. Templeton Gelbrath	188 138 138 138 140 155 780 25 250 250 29	-1 -20	72,9 R3,3 R1,0 R1,78 u2,6 u2,8 u2,8 u2,8 u2,08	3.2 2.6 5.5 4.5 6.0 2.2 2.5 2.8	3.8;17.2 9.2;21.0 3.4;15,9 1.0;21.2;2.6;16.6 1.8;17.2;2.5;10.2 1.9;21.5 1.9;21.5 1.9;21.5 1.9;21.5

### FIXED INTEREST STOCKS

Issue	Closing price t
198.287.125 19:5: 34 2518 Centrovincial Esta. 112 tiet profit Do.	
## F.P. 112p 110p.Chillington 9/12 Cum. Red. Fref. 150p 135p Devanish J.A.) 4.5% Cnv 2nd. Fref. 150p 135p Devanish J.A.) 4.5% Cnv 2nd. Fref. 150p 105p.#Electron.H'se 64% Cnv. Cum Red I 198.11 F.P. 10.4 106 9914 Hampton Tst. 113% Int. Mort. Deb. 2 1976 Inter-Am Dav 8k 9.% Uns Ln 2015. 198.977 F.P. 10.5 108 99 Mecca Leisure 11147 Deb. 2011. 1001. Nationwide 8idg. Soc. 12.% 21.58 F.P. 16.4 164p 140p.*Parkfield 72 Cum. Cnv. Frf. 2006 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. Soc. 12.% 21.58 Inter-Am Dav 8k 9.% Uns Ln 2015. 1001. Nationwide 8idg. So	111p 130p 25 106 351s 118p +5 108 7101 164p +1 15 104p 165 345i

### PIGHTS OFFERS

į	RIGH	•	<del></del>				
	Issue 9	4	Latest Renunc.	198	6	Stock	400 + C
	pnce \$		date	High	Low	<u>]                                    </u>	
	200 : M 151g M 330 F.F 255 N 70 N 230 N 110 N 115 F.F	)) 	11/4; 9/4 30/4 7/4 24/4	75pm 312pm 410 45pm 11pm 95pm 7pm 146	1 pn 380 35 pn 5 pn 58 pn	Cullens Hidgs. 10p Dares Ests. 6p High Point Services 10p KLP 5p Kent J. 5p H. N.M.W. Computers. Tranwood 5p Watts (City of London) Westland.	75pm

Renunciation date usually lest day for dealing tree of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Porscast dividend cover on earnings updated by latest interim estatement. H Dividend and Yield based on prospectus or other official estimates for 1986. R Porscast sinualised dividend, cover and p/s ratio based on prospectus or other official estimates. I indicated dividends; cover relates to previous dividend; p/s ratio based on latest annualised minders. Forecast, or estimated annualised dividend rate, cover based on previous year's searings. I issued by tender. I Differed holders of ordinary sheres as a "rights." If introduction. \*\* lasued by way of capitalisation. for process of the process

### TRADITIONAL OPTIONS NEW HIGHS AND

Last Last For Deal- Declara- Settle-Deal- Deal- Declara- Settle-ings ings tion ment Mar 17 Apr 4 June 26 July 7 Apr 7 Apr 18 July 10 July 21 Apr 21 May 2 July 24 Aug 4 For rate indications see end of

Unit Trust Service Call options were taken out in Wellcome, Rosehaugh, Phicom, Hall Engineering, Norfolk Capital, Sualeigh Electronics, Tricentrol, Barratt Developments, Templeton Galbraith, Blacks Leisure, Argyle Frust, Trusthouse Forte, Premier Oil, Arthur Lee Northern, Engineering in the

Lee, Northern Engineering (Industries, Fobel, Laura Ashley, STC, Johnson and Firth Brown, Palma John Palma Joh Capital, Petranol, Mnemos, Chloride, Polly Peck, Sound Diffusion, Ranks Hovis McDougall and Whim Creek. A put was done in Peters Stores, but no

# LOWS FOR 1985/6

NEW HIGHS (190)

BRITISH FUNDS (34). INT. BANK & OVERSEAS GOVT. STLG. ISSUES (1). LOANS (4). AMERICANS (5). CANADIANS (1). BANKS (3). BREWERS (4). BUILDINGS (26). CHEMICALS (1). STORES (6). ELECTRICALS (9). ENGINEERING (12). FOODS (3). HOTELS (1). INDUSTRIALS (23). INSURANCE (3). LEIGURE (1). MOTOES (2L. NEWSTAPPERS (3). FAPER (3). PROPERTY (12). TEXTILES (3). TOBACCOS (2). TRUSTS (22). MINES (2).

EUILDINGS (1) Access Satellite, FOODS (2) Avana, Sutherland (E. T.) TRUSTS (1) Flextech, GILS (7) Aran Energy, Bryson Oil & Gas, Firstland Oil, New Court Nat. Res., Pict Pet, Tricentro) 11pc Cnv. Ln. 1995-2005, Ultramar. PLANTATIONS (2) Harrisons Maleysian Plant State Pura Mainter (1) Plant. Rowe Evans. MINES (3) Ayer Hitam, Petaling Tin, Tanjong Tin,

### These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Tues Mar 18 1986

	e cup c	ECTI/	ANC		TUE	es Mar	Mar 17	14	Mar 13	390			
& SUB-SECTIONS Figures in parentheses show number of stocks per section				of Inde		Est. Earnings Yield % (Max.)	Gross Div. Vield% (ACT at 30%)	Est. P/E Ratio (Net)	nti adj. 1986 to date	Index No.	Index No.	Index No.	Index No.
i	CAPITAL GOOD					8.04	3.31	15.63	2.04				
2	Building Material	ls (24)		775.		8.51	3.50	14.71	1.06	765.18			
3	Contracting, Cont Electricals (13)	struction :	(27)	1126. 1949.		8.18 7.52	3.95	16.19 17.33				1110.49 1946.91	
!	Electronics (38).	1111-111-111-1	الاطموروس	1779. 1722.		8.53	2.67	15.41				1742.86	
5	Mechanical Engin	reering (/	64)	402	44 -0.2	8.72	3.69	14.88	1.27	403.21			
š	Metals and Metal			326/	44 -8.8	6.75	5.25	18.06	9.G8	329.09	328.51	318.65	197.3
9	Motors (17)			_ 283.9		A31	3.39	14.42	0.73	283.%			
Ō	Other Industrial N	Materials	(22)	1305.		630	3.03	19.66				1319.33	
ľ	CONSUMER GR					7.41	3.10	17.80	2.93	895.79			647.4
2	Brewers and Dist					8.91 9.36	3.50	14.30 13.83	4.04	858,44 652,17			579.7 511.6
5	Food Manufacture Food Retailing (1)	189 (221 141	*************			6.42	3.96 2.48	21.78	3.75 5.78	1859.30		637.83 1867.94	
5	Health and House	.47Pro	*=** (10)	1555		4.90	2.08	23.95		1555.87		1492.36	
<b>6</b>	Leisure (25)					7.39	3.78	17.52	9.78	924.25			687
2	Publishing & Prin	etina (13)				7.50	4.06	16.82			22(3.32		
5	Packaging and Pa	aner (15)		446		7.74	3.58	15.36	0.31	449,31			324.5
١	Stores (43)			883.7	75 +33	6.05	2.49	22.36	1.86	855.57	854.93	847.49	597.2
5	Textiles (15)		·	,   536,		7.18	3.40	15.92	0.25	531,49			
6 1	Tebaccos (3)	*****		2151.		21.46	4.32	10.85		2239.33		2093.29	
ĭ	OTHER GROUPS	S (86)		848.7		8.04	3.55	15.88	4.02			837.87	
2	Chemicals (19)		*141414444	947.		9.84	4.27	12.26	14.35	948.89			
١,	Office Equipment Shipping and Trai	. (4)		_ 247.		7.81	4.06	15.24	3.51	249.69		256.84	184.5
5	Shipping and Fra	PEDOLI (TV	IJ	1623. 1004.		6.38 8.26	3.68	19.65 16.72	0.93	988.62		7630.29 994.42	
"	Telephone Netwo Miscellaneous (4)	水(5 亿) (0)				6.76	331	18.11		1025.97		1021.38	8173
1	Miscellaneon 12	7)	<u></u>	951			3.26	16.35		843.28			
9]	INDUSTRIAL GO					7.72			2.98				
<u>. j</u>	Oil & Gas (18)					18.35	7.76	6.42		1155.82			1201.5
1	500 SHARE IND					8.82	3.73	14.10	4.44	871.71	871.72		688.9
П	FINANCIAL GR				,	Γ- 1	4.17		4.02	596.65			462.4
2 }	Banks (7)			645.3		17.85	5.19	7.89	31.28	618.46		598.55	450.9
5 (	Insurance (Life) (	(9)		884.		1 - 1	3.85	i — I	0.00	902.15	902.78		660.6
6	Insurance (Compo					1 = 1	4.18	,	2.47	486.99		492.52	
?	Insurance (Broke	15) (B)	1 PART MAR	1252		6.76	3.54	19.77					1221
3 (	Merchant Banks ( Property (51)	(11)	······	_   351.9 _   733.1		5.42	2.97 3.38	24.68	9.96 1.10	354.27 734.47	354.15 731.55	352.75 728.11	235.4 646.1
9 ) B	Other Financial C	261	/ page	337.4		7.20	4.01	16.67	133	339.59		337.10	292.0
<del>1</del>	Investment Trust	- /103)	1117-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	731.4		<del>  <u>'</u></del>	3.00		3.61	732.98	728.32	726.90	623.4
il	Mining Finance C					11.34	5.38	10.27	8.80	284.63	287.63	289.65	302
il	Overseas Traders	(134)	***************************************	6692		12.96	6.25	9.15	7.85	676,97	681.42	673.02	665.9
ŧ۱	ALL-SHARE IND					† <del>=</del>	3.80		4.22	793,48		786.59	629.7
	Albana		/ HIIII	o		Day's		3500	Mar		Mar		_
-+				Jades	x IDay′s	I Days				Mar	Mar :		Year
7				No			Day's	Mar 17				Mar	
7	FT-SE 100 SHAE	ZE IMPEX	<u>τ</u>	No.	Change	e High	LOW	17	14	13	12	ı ıı ı	200
<u> </u>	FT-SE 100 SHAF		X+INTER	. 1644	Change 4 +21.8	e High	1616.2	17 1622.6	14 1624.4	13 1616.7	12	ı ıı ı	200
	FIX		INTER	. 1644	Change 14 +21.8	1644.A	1616.2 AVER/ REDE	17 1622.6 AGE GRO MPTION	14 1624.A PIELDS	13	12 1624.5 Tees Mar 18	11 1597.1 Mor Nar 17	290 1307.2 Year 290 (2007)
1	F1)	KED I		REST	xd adj.   x	High 1644.4	AVER/REDE	17 1622.6 AGE GRE MPTION	14 1624A 0SS YIELDS	13 1616.7	12 1624.5 Tess Mar 18	11 1597.1 Mor Mar 17	290 1367.2 Year 290 (20070
1	FIX	KED	INTER	REST	xd adj.	1644.4 1644.4 1986	AVER/ REDEI	17 1622.6 AGE GRE MPTION th Covern	14 1624A VIELDS VIELDS 5 years	13 1616.7	12 1624.5 Tes \$13r 18	11 1597.1 Mor 12 17 8.94 9.13	1307.2 Year 230 (2007) 19.6 19.6
1	FI) PRICE LKDICES	Tues	Day's change	REST	xd adj.	1644.4 1644.4 1986 1986	AVER/REDE	17 1622.6 AGE GRI MPTION th Govern	14 1624.A VIELDS VIELDS Pears 5 years 5 years	13	12 1624.5 Ties Har 18 8.86 9.07 9.07	11 1597.1 Mor Mar 17 8.94 9.13 9.14	290 1307.2 Year 290 (2007) 18.6 19.6
1	FI) PRICE INDICES British Government	Tues	Day's change	Non Mar 17	xd adj. x today	1644.4 1644.4 1986 0 date	AVERATEDEL  AVERATEDEL  Britis  Low  Components  Median	17 1622.6 AGE GROMPTION th Gavern	14 1624.A VIELDS VIELDS Pears 5 years 5 years	13	12 1624.5 Tes \$13r 18	11 1597.1 Mor 12 17 8.94 9.13	290 1307.1 Year 290 (20070 19.6 19.6 19.2 21.7
1	FI) PRICE LKDICES	Tues Mar 18	Day's change %	Mon Mar 17	xd adj.	1644.4 1644.4 1986 0 date	AVERAREDEI  Britis  Low  Coupon  Coupon	17 1622.6 AGE GROMPTION th Gavern	14 1624.A 1624.A 0SS VIELDS 5 years 5 years 5 years 5 years 5 years 5 years	13	12 1624.5 1624.5 18 18 8.86 9.07 9.67 9.67	11 1597.1 Mor Mar 17 8.94 9.13 9.14 10.65	1307.2 Year appro- 18.6 19.2 11.7 11.0
1	FI) PRICE INDICES British Government	Tues	Day's change %	Non Mar 17	xd adj. x today	1644.4 1644.4 1986 to date	AVERI REDEI	17 1622.6 MPTION th Covers is 15 15 15	14 1624.A VIELDS VIELDS 5 years 5 years 5 years 5 years 5 years 5 years	13	12 1624.5 18 18 8.86 9.07 9.67 9.97 9.92 9.53	11 1597.1 Morr Marr 17 8.94 9.13 9.14 10.45 9.60	1307.2 Year 1307.2 19.6 19.6 19.6 19.2 11.7 11.6
1 1 2 2	PRICE ENDICES British Government 5 years	Tues Mar 18	Day's change % +0.29 +0.56	Mon Way 17 121.29 148.07	xd ati.	1644.4 1644.4 1986 1986 1.97	AVER/ REDEI	AGE GREAT STATE OF THE STATE OF	14 1624.A VIELDS VIELDS 5 years 5 years 5 years 5 years 5 years 5 years	13	12 1624.5 18 18 8.26 9.07 9.07 9.97 9.92 9.93 9.40	11 1597.1 Mor Siar 17 8.94 9.13 9.14 10.65 9.60 9.42	1307.2 Year 2907.2 18.6 19.6 19.2 11.7 11.6 18.5
1 5 2 5 3 (	PRICE INDICES British Governments 5 years	Tues Mar 18 121.64 140.85 148.28	Day's change % +0.29 +0.56 +0.48	Non Mar 17 121.29 149.07 147.56	xd ati. x today tr	High 1644.A 1986 0 date 1.97 2.16 3.28	AVERAREDEI  Britis Low Cooper Median Couper High Couper 9	17 1622-6 AGE ERM MPTION In Sovern 15 22 m 5 15 25 25 25 25 25 25 25 25 25 25 25 25 25	14 1624.4 1624.4 1624.4 1925 1925 1927	13	12 1624.5 Test Mar 18 8.35 9.07 9.07 9.97 9.93 9.93 9.90 9.72 9.72 9.72	11 1597.1 Mor Mar 17 8.94 9.13 9.14 10.65 9.60 9.60 9.79 9.59	1907.2 Year 290 (2007.2 19.6 19.6 19.7 21.6 11.8 11.8 11.8 11.8
1 5 2 5 3 (4 )	PRICE INDICES British Governation 5 years Over 15 years Irredeemables	Tues Mar 18 121.64 140.85 148.28 166.70	Day's change % +0.29 +0.56 +0.48 +0.35	Non Mar 17 121.29 149.07 147.56 166.12	xd ati.	High 1644.4 1644.4 1986 0 date 1.97 2.16 3.28 1.62	AVER/REDEI  Settis  Low  Coupor  Mediar  Coupor  High  Coupor  High	17 1622-6 AGE ERM MPTION In Sovern 15 22 m 5 15 25 25 25 25 25 25 25 25 25 25 25 25 25	14 1624.4	13	12 1624.5 Test Mar 18 8.85 9.97 9.97 9.97 9.93 9.90 9.91 9.72	11 1597.1 Mor 12 17 8.94 9.13 9.14 10.65 9.60 9.60 9.79	1907.2 Year 290 (2007.2 19.6 19.6 19.7 21.6 11.8 11.8 11.8 11.8
1 5 2 5 3 (4 )	PRICE INDICES British Governments 5 years	Tues Mar 18 121.64 140.85 148.28	Day's change % +0.29 +0.56 +0.48 +0.35	Non Mar 17 121.29 149.07 147.56	xd ati. x today tr	High 1644A d adi 1996 o date 1.97 2.16 3.28 1.62 2.27	AVERIREDEI  Britis Low Coupon Medium Coupon High Coupon Inteles	AGE GRIMPTION  AGE AGE GRIMPTION  AGE GRIMPTION  AGE GRIMPTION  AGE GRIMPTION  AGE AGE GRIMPTION  AGE AGE GRIMPTION  AGE AGE AGE AGE  AGE AGE AGE AGE AGE  AGE AGE AGE AGE  AGE AGE AGE AGE  AGE AGE AGE AGE  AGE AGE AGE AGE  AGE AGE AGE AGE  AGE AGE AGE AGE  AGE AGE AGE AGE  AGE AGE AGE  AGE AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE AGE  AGE AGE  AGE AGE AGE  AGE	14 1624.4	13	12 1624.5 Test Mar 18 8.35 9.07 9.07 9.97 9.93 9.93 9.90 9.72 9.72 9.72	11 1597.1 Mor Mar 17 8.94 9.13 9.14 10.65 9.60 9.60 9.79 9.59	1907.2 Year 290 (2007.2 19.6 19.6 19.7 21.6 11.8 11.8 11.8 11.8
1 1 1 2 3 4 1 5	PRICE INDICES British Governation 5 years Over 15 years Irredeemables	Tues Mar 18 121.64 140.85 148.28 166.70	Day's change % +0.29 +0.56 +0.48 +0.35	Non Mar 17 121.29 149.07 147.56 166.12	xd ati. x today tr	High 1644A 1644A 1986 0 date 1.97 2.16 3.28 1.42 2.27	AVERUREDEI  Settin  Low  Coupor  Medium  Coupor  Medium  Coupor  Index- Index- Index-	AGE GROWN STATE OF THE STATE OF	14 1624.4 1624.4 0SS VIELDS THE DS TH	13	12 1624.5 Test Mar 18 8.35 9.07 9.07 9.97 9.93 9.93 9.90 9.72 9.72 9.72	11 1597.1 Mor Mar 17 8.94 9.13 9.14 10.65 9.60 9.60 9.79 9.59	1907.2 Year 2907.2 19.6 19.5 11.0 19.5 11.8 10.4 10.4
1 5 6 6 6	PRICE ENDICES British Government 5 years Over 15 years Irredeemables All stocks	Tues Mar 18 121,64 140,85 148,28 164,70 136,94	Day's change % +0.29 +0.56 +0.48 +0.35 +0.45	Mon Way 17 121.29 148.07 147.56 166.12 136.33	xd ati. x today tr	High 1644A 1644A 1986 0 date 1.97 2.16 3.28 1.62 2.27	AVERIREDEI  Britis Low Coupon Medium Coupon High Coupon Inteles	AGE GROWN STATE OF THE STATE OF	14 1624.4 1624.4 0SS VIELDS THE DS TH	13 1616.7	12 1624.5 1624.5 18 8.86 9.07 9.07 9.97 9.93 9.91 9.91 9.92 9.93 9.91 9.92 9.93	11 1597.1 Mor Nor 17 8.94 9.13 9.14 10.65 9.60 9.79 9.79 9.97 9.97 9.97	1907.2 Year 2907.2 19.4 19.4 19.5 11.6 11.6 10.4 10.4 10.4 10.4
1 5 2 5 4 1 5 6 5	PRICE ENDICES British Government 5 years 1-15 years 1-17 years 1-18 years 1-19 years	Tues Mar 18 121.64 140.85 148.28 166.70 136.94	Day's change % +0.29 +4.56 +0.48 +0.35 +0.45	Mon Mar 17 121.29 140.07 147.56 166.12 136.33	nd att. in today it	High 1644A 1644A 1986 0 date 1.97 2.16 3.28 1.62 2.27	AVERUREDEI  Settin  Low  Coupor  Medium  Coupor  Medium  Coupor  Index- Index- Index-	17 1622.6 AGE GRID MPTION AGE GRID MPTION S S S S S S S S S S S S S S S S S S S	14 1624.4 1624.4  OSS VIELDS VIELDS TREAT 5 Years 6 Years 7 Years	13 1616.7	12 1624.5 Tes War 18 8.86 9.07 9.97 9.93 9.90 9.77 9.91 9.72 9.57 9.04	11 1597.1 Mor Star 17 8.94 9.14 10.45 9.40 9.40 9.79 9.57 9.57 9.57	1907.: Year 4907.: 19.4: 19.4: 19.4: 11.4: 11.4: 11.4: 10.4: 10.4: 10.4:
1 5 2 5 4 1 5 6 5	PRICE ENDICES British Government 5 years Over 15 years Irredeemables All stocks	Tues Mar 18 121,64 140,85 148,28 164,70 136,94	Day's change % +0.29 +4.56 +0.48 +0.35 +0.45	Mon Mar 17 121.29 149.07 147.56 166.12 136.33 198.88 169.34	xd avi. x today t	1644.4 16	AVER/REDEI  Settis  Coupon  Medium  Coupon  High  Inflatin  Inflatin  Inflatin	17 1622.6 AGE GRICIAN MPTION AGE GRICIAN S 15	14 1624.4 0SS VIELDS VIELDS 1 years 5 years 6 years	13 1616.7	12 1624.5 Ties Mar 18 8.86 9.97 9.97 9.97 9.97 9.97 9.97 9.97 9.9	11 1597.1 Mor Mar 17 8.94 9.13 9.14 10.65 9.42 10.04 9.79 9.87 9.87 4.49 3.78 3.89	1907: Year 3307: 1918: 1
1 2 5 4 1 5 6 5 7 (	PRICE ENDICES British Government 5 years	Tues Mar 18 121.64 140.85 148.28 166.70 136.94	Day's change % +0.29 +4.56 +0.48 +0.35 +0.45	Mon Mar 17 121.29 149.07 147.56 166.12 136.33 198.88 169.34	xd avi. x today t	High 1644.4 1644.4 1986 0 date 1.97 2.16 3.28 1.62 2.27 1 0.91 1	AVERITORIA STATEMENT OF THE PROPERTY OF THE PR	17 1622.6 AGE GRICI MPTION AGE GRICI MPTION  AGE GRICI	14 1624.4  OSS VIELDS  Whent 5 years 5 years 5 years 6 years 7 years 8 years 8 years 9 years	13 1616.7	12 1624.5 Tess Mar 18 8.86 9.07 9.07 9.97 9.93 9.91 9.92 9.93 9.91 9.92 9.93 9.94 9.95 9.95 9.95 9.95 9.95 9.95 9.95	11 1597.1 Mor Mar 17 8.94 9.13 9.14 10.66 9.42 10.04 9.79 9.57 9.57 4.49 3.76 3.69 3.69 3.63	1307.2 Year 1307.2 19.0 19.0 19.2 11.2 11.4 11.2 10.4 10.1 10.2 10.0 10.0 10.0 10.0 10.0 10.0
1 1 2 2 5 4 1 5 4 6 5 7 C	PRICE ENDICES British Government 5 years 1-15 years 1-17 years 1-18 years 1-19 years	Tues Mar 18 121.64 140.85 148.28 166.70 136.94	Day's change % +0.29 +0.56 +0.48 +0.35 +0.45 -0.33 -0.88 -0.72	Non Mar 17 121.29 140.07 147.56 166.12 134.33 108.88 109.34 109.26	xd avi. x today t	High 1644.4 1644.4 1986 0 date 1.97 2.16 3.28 1.62 2.27 1 0.91 1 0.90	Low 1616.2  AVER/REDEI 1 Low 2 Cooper 5 Cooper 6 High 6 Cooper 1 Inflatin	AGE GRIMPTION  AGE GRIMPTION  A Government of the control of the c	14 1624.4  1624.4  USS VIELDS	13 1616.7	12 1624.5 18 8.26 9.07 9.97 9.90 9.90 9.90 9.90 9.90 9.90	11 1597.1 Morr Star 17 8.94 9.13 9.14 10.66 9.42 10.97 9.59 9.59 9.59 9.59 9.59 9.59 9.59 9	1387.2 Year 19.8 19.5 19.5 11.8 11.2 11.8 10.5 10.5 10.6 10.1 10.5 10.6 10.1 10.5 10.6 10.1 10.6 10.6 10.6 10.6 10.6 10.6
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	PRICE ENSIGES  British Government 5 years  Over 15 years  All stocks  Over 5 years  All stocks  All stocks	Tues Mar 18 121.64 140.85 148.28 166.70 136.94	Day's change % +0.29 +0.56 +0.48 +0.35 -0.86 -0.72	Mon Mar 17 121.29 149.07 147.56 166.12 136.33 198.88 169.34	xd avi. x today t	High 1644.4 1644.4 1644.4 1986 a date 1.97 2.16 3.28 1.42 2.27 1 0.81 1 0.91 1 0.90 1 1 2.07 1 1 2.07 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Low 1616.2  AVER/REDEI 2 Cospos 3 Medium 5 Cospos 6 High 8 Cospos 9 Irredee 1 Inflat 12 Inflat 13 Inflat 14 Inflat 15 Inflat 16 Less 6 Less 6 Less 6 Less	17 1622.6 AGE SRIVE STATE OF S	14 1624.4 1624.4 1624.4  USS VIELDS V	13 1616.7	12 1624.5 18 8.86 9.07 9.07 9.07 9.07 9.07 9.07 9.07 9.07	11 1597.1 Mon Nor 17 8.94 9.13 9.14 10.25 9.42 10.04 9.42 10.04 9.59 9.57 4.49 3.78 3.49 3.69 3.69 3.69 3.69 3.69 3.69	1907.2 Year 1907.2 19.6 19.6 19.5 11.8 11.2 10.1 10.1 10.1 10.1 10.1 10.1 10.1
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	PRICE ENDICES British Government 5 years	Tues Mar 18 121.64 140.95 148.28 166.79 136.94 198.46 108.47 119.53	Day's change % +0.29 +0.56 +0.48 +0.35 +0.45 -0.33 -0.88 -0.72	Mon Mar 17 121.29 1.40.07 147.56 166.12 136.33 108.88 109.34 109.26	rd adi. r today ti	16444  16444  16444  1.97  2.16  3.28  1.42  2.27  1  0.81  1  0.91  1  2.67  1	Low 1616.2  AVER/REDEI 1 Low 2 Cooper 5 Cooper 6 High 6 Cooper 1 Inflatin	17 1622.6 AGE GRID MPTION AGE GRID MPTION S S S S S S S S S S S S S S S S S S S	14 1624.4  1624.4  USS VIELDS	13 1616.7	12 1624.5 18 8.26 9.07 9.97 9.90 9.90 9.90 9.90 9.90 9.90	11 1597.1 Morr Star 17 8.94 9.13 9.14 10.66 9.42 10.97 9.59 9.59 9.59 9.59 9.59 9.59 9.59 9	1387.2 Year 19.8 19.5 19.5 11.8 11.2 11.8 10.5 10.5 10.6 10.1 10.5 10.6 10.1 10.5 10.6 10.1 10.6 10.6 10.6 10.6 10.6 10.6

Opening index 1617.2; 10 am 1616.4; 11 am 1621.6; Noon 1627.4; 1 pm 1630.1; 2 pm 1632.0; 3 pm 1630.9; 3.30 pm 1631.2; 4 pm 1632.1. † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituent is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 48Y, price 15p, by post 28p.

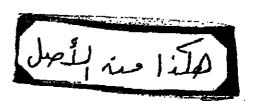
### No. of Mon chang +12 +36 - 9 + 9 close 230 523 600 122 120 333 348 271 333 72 644 743 Boots Briton Burton Exco Inti Fisons Gent (S. R.) **EUROPEAN OPTIONS EXCHANGE** May Vol. Last Vol. Last Stock 20B! 10 5,80A 3,80 2,50 1,50 300 | 15.30 115 | 4.30 6 | 3 75 | 2 155 | 1.20 100 | 3 10 | 4.30 10 25 13 2.20 7 10 4.1 606 6.7 2 12.11 1 12 5 19.50 6 24 - 1 9 135.50 0.70 2 11 16 21 25.50 31.20 35.50 6.70 12.10 15.8 19.50 199 179 30 30 10 24 30 19 15 19 6.10 5.80 8 7.40 10.50 2.80 3.30 4.20 3.10 3.50 2.60 4 5.20 1.20 3.80 4.20 1.10 1.50 B FI. 105.80 112 FL.105 113 A 14.30 FL.77.1 FL.107 130 34 4 88 87 AMRO P GIST C HEIN C HEIN P HOOG P HOOG P KLM C KLM P NEDL C FL105 FL300 FL270 FL230 FL230 FL230 FL45 FL45 FL230 FL300 FL300 3,40 2,30 6,80 51 4 5,80 1,90 2 6 46 12.50 33 8.50 131 7,70 125 4.30 228 4.20 8 1125 1.10 B. 43 67 37 100 31 489 76 973 56 28 ; 6,80 g: - ; - [F - (FI.273 - FI.231 FI. 95,30 82.50 B 3 5,20 Fl. 79,50 NATH C NATH P PHIL C PHIL P RD C RO F ROBE C NOBE C UNIL P 5.40 A FL 62.70 3.80 13 - FL 90.20

TOTAL VOLUME IN CONTRACTS: 58,213, A≔Ask

B=8id

C=Cell

				LO	NDO	DN '	TRA	DED C	PTK	ONS	;				
1		_	GALLS	·	اه	PUTS		f		c	ALLS		:	PUTS	
Optio	n	Apr.	July	Oct	Apr.	July	Oct.	Opti	оп	May	Aug.	Nov.	May	Aug.	Nov.
B.P. (*560)	500 550 600	70 28 11	82 45 20	92 58 28	20 45	25 50	18 33 80	P. & Q. (*526)	480 460 500 550	108 68 45 20	125 85 63 53	98 80 42	2 2 11 40	3 8 23 48	13 28 50
Cons. Gold (*484)	420 460 500	57 36 13	77   64   32   76	65 44	15 37	25 50	32 57	Racal (*202)	160 180 200 220	48 32 18 6	56 40 26 14	48 36 22	7 15 28	4 11 19 82	13 22 34
(*269)	240 260 280	52 35 24	57 43 35	66 51 36	11	10 15	12 20	R.T.Z. (*662)	500 550 500 650	177 127 80 40	182 135 92 55	147 107 57	3 3 8 20	2 8 15 32	18 25 43
Com. Union (*304;	240 260 280 300	65 45 26 14	79 52 35 24	75 58 42 33	2 3 8 17	13 22	12 18 26	Vaal Ree (*579)		221 <sub>2</sub> 141 <sub>2</sub> 7	25 18 101 <sub>2</sub> 61 <sub>2</sub>	20 131 <sub>2</sub>	1 21 <sub>2</sub> 5 121 <sub>2</sub>	L 25101	51 10 16
Cable &Wire (*682)	550 600 660 700	145 96 55 23	170 120 80 55	195 145 110 82	13 13 40	12 33 53	8 20 45 65	TRI1£199 (*£107)	106 108	85g 25g 114	254 134	312 234	D は 1点	051 158 259	11
Distillers (*621)	560 560 600 650	130 80 38 12	132 82 60 18	83 47 23	11g 6 57	12 40	15 40	TR:12\$05#	17   110 112 114 116 118	834 718 534 438 315 258	8.3 61	8-4 7 6	1 18 2 25a	118 178 2% 3.4	51 41
G.E.C. (*200)	160 180 200 220	28 13 6	56 22 18	62 44 30 18	2 3 10 24	5 14 28	4 8 18 32	Opt	tion	Mar.	June	Sept.	Mar.	June	Sep
Grand Met. (*371)	300 327 355 382	60 65 32 13	95 72 62 30	80 62 43	1 .1 8 8 20	8 15 27	10 20 35	Beecha. (*355)	360 360 390	58 28 5 11 <sub>2</sub>	67 47 32 17	77 57 48 25	2 2 13 37	5 10 30 40	5 15 32 47
1.C.1. (*992)	850 900 950 1000	167 107 70 42	177 127 90 67	194 144 110 82	4   6   17   35	8 15 27 44	15 22 35	Boots (*275)	240 260 280 420	18 18 —	47 32 24 85	55 39 30	5 5	7 10 22	17 26
Land Sec. (*315)	280 300 330	41 23 6	47 32 14	54 40 22	23	14 29	8 19 19 30	(*480) Bass (*725)	460 500 650 700	80 80	55 32 105 60	42 125	2 1	20 36	10 23 46
Marks & Sp (*203/	180	66 48 26	55 35	63 43	1 1 4	2 6	10	Blue Circ	1 750	65 20	45 82 45	83 65 98 63	6 - 15	20 50 10 28	57 65 16 55
Shell Trans. (*755)	700	110 60 28	110 70 40	120 120 75	1 4 14	1 11 23 45	1 15	De Beer (*\$7.80	700	63 40 10	118 90 62	125 105 80	4 8 48	22 28 60	35 47 68
Traffgar Hee	300 330 350	37 16	41 22 13	50 51 33 21	42 17 17	20	14 25 38	GKN (*346)	280 300 330 360	67 47 18 4	72 56 36 19	81 63 45 29	2 2 16	5 13 28	12 18 30
Opcio		May	Aug.	Nov.	May	Aug.	Nov.	Glaxo (*1046)	900 950 1000 1050	155 105 55 25	180 140 110 70	215 170 135 95	3 8 20	12 26 35 50	20 30 45 65
Brit. Aero (*558)	460 500 550 600	108 80 40 20	123 95 53 50	140 112 75 43	2 5 25 58	7 15 35 63	12 20 42 70	Hanson (*181)	135 150 160 165	47 32 17	54 38 	58 43 34	1 1 1	11 <sub>2</sub> 2 6	3 5 7
BAT Inds (*408,	<u> </u>	117 87 58 55	127 108 80 57	110 65 63	1 8 8	2 6 13	10 18 28	Jaguar (*466)	390 420 450 500	78 48 15	85 60 40 25	24 25 73 65 37	11 <sub>2</sub> 1 7	6 15 25 48	14 8 15 50
Barclays (*527)		120 82 50	155 100 70	117	3 7 18	10 10	15 35	Thorn En (*474)	490 490 460 500	85 55 17		90 60	2 4	4 9 20	7 15 30
Brt Telecom (*317)	200 220 340	25 13 6	31 20 12	87 26 18	5 11 24	7 16 28	9 20 36	Teaco (*330)	280 300 350	65 35 7	67 47 25	75 58 38	3 7	57 6 14 23	8 20 30
imperial Gr. (*335)	300 330 330	62 42 22	66 50 29	54 34	1 21g 10	5 5 14	6 15	Optio	1 360 Ma	r. Apr.	May	un M	32 Ap	45 <u>1</u>	48
LA3MO (*143)	140 160 180 200 220	18 15 4 7 2	28 18 11 7 6	35 25 — —	10 28 40 58 80	18 28 42 60 80	20 30 	, 1991)	1475 16 1500 14 1525 11 1550 9 1575 7	5 1125 0 106 5 87	190 185 142 125 102	168 2 140 3	21a 4 2 11 3 17	7: 26	27 35
Lonrho (°≥85)	220 240 260 290 300	71 51 36 25	79 60 45 32 20	66 60 40 30	11 <sub>2</sub> 3 7 14 28	23 <sub>2</sub> 4 10 18 26	6 13 19	Marc	1600 5 1695 4 1650 2 h 18 Tot ts 5,992	5 78 5 58 5 43	87 74 62	114 12 95 22 84 33	42 60	60 77	55 67 87
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# WORLD STOCK MARKETS

WORLD STO	JCK MARKEIS
AUSTRIA GERMANY NORWAY AUSTRALIA (continued) JAPAN (continued)	CANADA
Mar. 18	Sales Stock Regh Law Diaso Ding  Sales Stock Regh Law Diaso Ding  Sales Stock Regh Law Diaso Ding  TORONTO  Pract at 2:30 pm  March 18  Sales Stock Regh Law Diaso Ding  Sales Stock Regh Law Diaso Diago Diaso Diago Diago Diaso Diago Di
According 401 + 16 Agr. 18 Price + or Landis & Gyr 1910 + 10 Bridgestone	LB: 2500 Conserm 198 195 198 +6 85048 LL Lac \$22½ 22% +12 2500 Sellars A 1 526 25½ 25½ -12 101 8975 Con Bath A \$245 245 245 245 25½ 6000 Lacana \$9½ 5½ 1½ 15975 Sholl Can \$23 22½ 2½ 2½ 15975 Sholl Can \$23 22½ 2½
CIT Alpated 11,265 + 30 Ahold	NEW YORK-BOW JONES   NEW YORK-BOW JONES   New York
OVER-THE-COUNTER Nasdaq national market, 2.30pm prices	N.Y.S.E. ALL COMMON  RESES AND FALLS  SINGAPORE  Straits Times (30/12:66) 570.29 570.66 576.56 684.66 852.65 77.3:65-570.29 (8/3-96)  Merch Merch Merch Merch Merch Merch 17 14 13 High Low  N.Y.S.E. ALL COMMON  SINGAPORE  Straits Times (30/12:66) 570.29 570.66 576.56 684.66 852.65 77.3:65-570.29 (8/3-96)  SINGAPORE  STRAITS TIMES (30/12:66) 570.29 570.66 576.56 684.66 852.65 77.3:65-570.29 (8/3-96)  AMERICAN MERCH MERCH MERCH 13 High Low  SULTH AFRICA  J.S.E. Gold (32/9-75) - 1220-7 1220.7 1219.2 1307.9:871-166) 829.3 (5.6)
Saint   Sain	135.8 135.87 138.17 138.41 138.44 118.17 34.89 138.47 138.18 138.47 138.18 138.47 138.47 138.48 118.17 34.89 138.47 138.48 118.17 138.48 118.17 138.48 118.17 138.48 138.38 2.693 2.
Paccific 3 273 225 227 277 4 5	Tr 11% 1991 \$107% +% Shell Tran 760 +17 Tr 12% 03-05 \$124% +% Storehouse 345 +17 Alliest range 312 +15
ProcCOp 16 51 456 452 454 15 15 1656 1676 4674 15 15 1656 1676 1676 1676 1676 1676 167	· 1

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AMSTERDAM/DELFT/EINDHOVEN
GRONINGEN/THE HAGUE/HAARLEM/HEEMSTEDE/
LEIDEN/LEIDERDORP/OEGSTGEEST/
RUSWUK/ROTTERDAM/UTRECHT/WASSENAAR

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For details contact: Richard Willis. Tel: 020 239430. Telex: 16527.

THE NETHERLANDS



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# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

NAFCO 1b
NBD 6 1
NBB 6 1
NBB 6 1
NBB 7 15
NCR 1.5
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Emmy P. 32
Emmy P. 3 3 OhP pt 8.04 10.
OhP pfN3.75 12.
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OkisGE2.08 7.0 11
Orange 28
Onoic2.56 8.7 11
Orange ChonC 78 2.0
OhonC 78 2.0
OhonC 71.12 6.5
OhonP 5.0 5.7
Ohon pf2.75 8.9
OkisGE2.0 5.7
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Chubb p 84 34 3111 113 8514 8814 14134 14134 14134 13178 132357750 16325546 123215 1715567 12356 13351546 13315 PSA 091.50
PSA 091.50 ទីភីបីនមើនមើលខេត្តកំពុក ក្រុក ខេត្តកំពុក មិនកំពុក ប្រុក្ស ខេត្តកំពុក មិនកំពុក មិនក្រុក ខេត្តកំពុក មិនកំពុក ខេត្តកំពុក ខេត្តកំពិត ខេត្តកំពុក ខេត្តកំពិត ខេត తన్నం మాట్లు న్ను 1.66 కోట్ టాట్ స్ట్రామ్ స్టామ్ స్ట్రామ్ స్టామ్ స్టామ్ స్ట్రామ్ స్ట్రామ్ స్ట్రామ్ స్ట్రామ్ స్ట్రామ్ స్ట్రామ్ స్టామ్ స్ట్రామ్ స్ట్ 291<sub>2</sub> 277<sub>4</sub> 47<sub>4</sub> 651<sub>4</sub> 21<sub>7</sub> 381<sub>8</sub> 340<sub>8</sub> 240<sub>4</sub> 215

# YSE COMPOSITE PRICES

# **AMEX COMPOSITE PRICES**

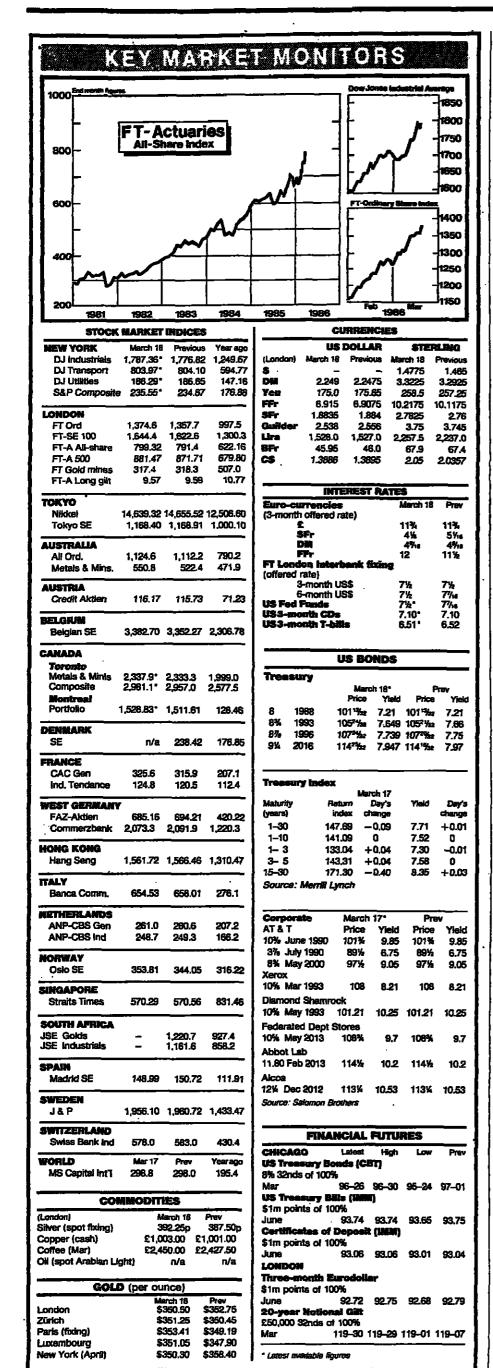
Prices at 3pm, March 18

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# FINANCIAL TIMES

# WORLD STOCK MARKETS



**WALL STREET** 

# Resilience despite Opec talks

THE MEETING in Geneva of Opec ministers dominated the attention of the New York financial markets yesterday, writes Terry Byland in New York.

Bonds opened sharply down but halved their losses as midsession passed without a statement from Opec. The stock market proved resilient and moved upwards towards its recent peak

By 3pm, the Dow Jones industrial average was up 10.54 at 1,787.36.

Rates moved up sharply at the long end of the credit market as New York waited for news from Geneva. Bond prices opened a full point lower as traders anticipated moves by the Opec nations to find a formula to prop up oil prices

Short-term prices rose by five basis points after a report that Mr Paul Volcker, the Fed chairman, had been voted down after initially opposing the recent decision to cut the discount rate. Renewed rumours that he planned to resign and decision that he planned to resign and decision that he planned to resign and decision to the federal Research decision.

sign were denied by the Federal Reserve
The market's hopes of a further easing in Fed policies, perhaps including
another discount rate cut if the economy
continues to flag, were discouraged both
by Mr Volcker's reported views and by
the hinted split at the Fed.

The stock market stood up determinedly to these bearish factors and the initial selling was light as a premium on stock index futures brought buyers in for blue chips. Heavy trading in IBM led the market's recovery.

There was a mixed response from UK shares traded as American Depositary Receipts (ADRs) in the US to reported moves in the UK budget to change the taxation status of ADRs. Imperial Chemical's ADRs, which often represent the lion's share of total daily turnover in the British chemical group's stock, jumped \$14 to \$604

A dip in February housing starts had little effect on Wall Street. Retail stocks edged higher as results were announced by some major names. Carter Hawley Hale eased \$\%\$ to \$30\% and Allied Stores \$\%\$ to \$74\%, both after trading figures. K mart gave up \$\%\$ of its recent rise to stand at \$43\%, while J. C. Penney at \$66\%\$ put on \$\%\$.

The firmer trend in technology stocks featured IBM, up \$1% at \$152, NCR, up \$1% at \$42%, and Burroughs, up \$% at \$68%

Oils made little further response to the steadier trend of the oil futures markets. Exxon added \$% to \$56% and Chevron \$% to \$37%. Atlantic Richfield shaded \$% lower to \$52%. The decision to trim spending at Occidental Petroleum soothed some market fears for the oil group's dividend policy and it gained \$% to \$25%. But turnover in the major oils was light, as Wall Street scanned the tapes for news from the Opec meeting.

Airline issues also brushed off the possibility of a reversal of the fall in fuel prices. Delta, up \$1 at \$40 led a revival among the domestic carriers. TWA, claiming near-victory in the dispute with its cabin staff, gained \$% to \$18% in brisk turnover.

The Dow average was helped by a jump of \$1% to \$82% in General Motors. The other Detroit groups also moved up as the UAW, their major employee union, suspended its drive for recognition at Honda Motor's plant in Ohio. Chrysler added \$1 to \$41%.

Chemical and pharmaceutical stocks, which are susceptible to dollar fluctuations, held steady as the US currency weakened again. A firm feature was Abbott Laboratories, up \$1\% at \$78\%.

Tobacco stocks continued their switchback course as investors responded to the latest moves in the cancer-death lawsuits. Philip Morris at \$118% rebounded \$1%, reaffirming satisfaction with a court ruling that corporate documents need not be made pub-

licly available, But R. J. Reynolds eased

An accord on wages at LTV brought mixed changes in the sector. Inland edged up \$\% to \$27\%, while US Steel at \$23\% added \$\% in heavy trading.

Poor third-quarter results from Federal Express, the leading private mail carrier, brought a drop of \$4% to \$65% as Wall Street's analysts trimmed their forecasts for the full year's trading out-

Also badly treated was stock of Jim Walter, down \$1% at \$56% after an increase in quarterly profits that failed to match analysts's expectations.

In the credit sector, bond prices rallied strongly on reports of uncertain progress at the Opec meeting – and a reaffirmation from London that the UK will not cut oil output. The yield on the long bond fell below 8 per cent again – and the fall in the key bond price was trimmed from a full point to only one quarter of a point.

EUROPE

# Paris shines amid oil uncertainty

OPTIMISTIC assessments of future inflation rates fuelled rises in Sweden and Belgium, leaving them at records for the

Elsewhere in Europe trading – mostly determined by local interpretations on the outcome of the Opec talks – was dull. A post-election rebound made France a notable exception, however.

Prices peaked in Brussels, buoyed by expectations of lower interest rates and a report which predicted better industrial growth and lower inflation. The Brussels Stock Exchange index

added 30.43 to a record 3,382.70 as foreigners snapped up large orders.

Cobepa, the country's third-largest holding company, put on BFr 80 to BFr

holding company, put on BFr 80 to BFr 4,510 after news of a 25 per cent increase in profits for 1985. Electrical group Intercom gained BFr 50 to BFr 3,650.

The day's star performer was Bel-

gium's biggest retail group GB-Inno-BM, which biggest up BFr 690 to BFr 7,250.

Glassmaker St Roch was also a strong performer, gaining BFr 400 to BFr 4,100.

An improvement in Sweden's current account and revised inflation forecasts from two banks – which point to a 4 per cent or lower inflation rate for 1986 against about 7.4 per cent in 1985 – sent Stockholm to a new high.

The Veckans Affarer all-share index added 1.1 to 676.6.

added 1.1 to 676.8.

Alfa-Laval rose SKr 2 to SKr 282 ahead of its 1985 results, which showed an increase in earnings, and Asea firmed SKr 5 to SKr 408.

Paris overcame its hesitant mood to close sharply higher.

close sharply higher.

Both foreign and domestic investors were attracted by shares left lower after Monday's session and confidence about the political situation returned after President François Mitterrand's announcement that he would shortly name a conservative prime minister.

Motor shares recorded the most pronounced advances. Peugeot rose FFr 75 to FFr 990 as its subsidiary, Citroën, forecast that it will return to the black in 1986. Michelin added FFr 215 to FFr 2,690.

Carrefour, the retailing group which runs a chain of hypermarkets, climbed FFr 130 to FFr 3,460 and in the food sector BSN resided FFr 280 to FFr 3,680

FFr 130 to FFr 3,460 and in the food sector, BSN gained FFr 260 to FFr 3,660
Oils made slight advances. Elf Aquitaine firmed FFr 10.50 to FFr 226 and

Total FFr 10 to FFr 328.

Oslo was sharply higher with dealers attributing the rally to market confidence that the Opec meeting in Geneva

dence that the Opec meeting in Geneva will produce an agreement on oil production restraint.

Norsk Hydro added DKr 6.50 to DKr

Norsk Hydro added DKr 6.50 to DKr 139.50, while Christiania Bank was steady at DKr 166.50 ahead of higher year-end results.

Investors in Frankfurt took a less optimistic view of the Opec outcome and were reluctant to open fresh positions.

The Commerzbank index dropped 19.1

to 2,073.3 as increased profit-taking throughout the session left prices at their lows for the day.

Computer maker Nixdorf dropped DM

Computer maker Nixdori dropped DM 16 to DM 560 as the market was stunned by the death of its 60-year-old company founder and managing board chairman Mr Heinz Nixdorf.

Commerzbank shed a hefty DM 14.50 to DM 312.50 while steels group Klöckner gave up DM 13.50 to DM 92

Bonds eased by around 40 basis points in quiet trading and the Bundesbank reversed its intervention tactics by buying DM 35.8m worth of paper after selling DM 139.2m on Monday.

After a mixed opening, Amsterdam held on to gains and ended slightly firmer ahead of today's local elections. Royal Dutch firmed on hopes of a pos-

itive Opec outcome, gaining F1 3.20 to F1 184.30 and Unilever added F1 2 to F1 415.

Demand for the new 10-year 6% per cent state issue, which is likely to be oversubscribed, kept bond trading quiet and prices ended unchanged.

Zurich was lower for the second session as foreigners remained on the side-lines. Banks were depressed by light profit-taking, while Jacobs Suchard registered share was steady at SFr 1,700 ahead of a one-for-five rights issue announcement.

nouncement.

Bonds were steady.

Profit-taking after two higher sessions eft. Milan easier although industrials,

left Milan easier although industrials, which closed before the selling wave, recorded gains. Flat continued to climb to peaks, however, adding L210 to L10,210.

### **AUSTRALIA**

FULL-BLOODED overseas buying pushed Sydney to another record yesterday as the All Ordinaries index rose 12.6 to 1,124.5.

Leading industrials remained in the centre of activity, with BHP closing 2 cents lower at A\$6.40 after an earlier A\$6.34. Bell Resources, its suitor, added 4 cents to A\$5.20, while the Bell parent, Bell Group, jumped 34 cents to A\$7.20.

Among other market leaders, CRA firmed 22 cents to A\$6.62 on high-turnover and strong foreign buying. CSR picked up 4 cents to A\$3.32 and

Amatil scored a 10-cent gain to A\$3.32 and Amatil scored a 10-cent gain to A\$7.10. Takeover target ACI retreated 6 cents to A\$3.50

### LONDON

DELIGHT abounded in the London equity markets after the budget proposals and leading shares aggressively extended an early advance. The FT Ordinary index finished 16.9 higher at a record 1,374.6.

Major clearing banks and brewers made exceptional progress, while some leading stores scored solid gains.

Gik trading finished ahead of the budget but longs added % while shorts secured rises of %; index-linked issues weakened on the prospects of lower inflation.

Chief price changes, Page 47; Details; Page 46; share information service, Page

## SINGAPORE

BARGAIN-HUNTING alternated with stoploss selling in a dull Singapore that added 0.27 to the Straits Times industrial index to 570.29.

Singapore Airlines, the most active issue again with 475,000 shares traded out of a total 8m, picked up 20 cents to S\$6.40. OCBC, also active, shed 25 cents to S\$6.05, while Cerebos picked up 2 cents to S\$2.16.

Fraser & Neave and Singapore Press both added 5 cents to \$\$5.65 each.

## HONG KONG

LACKLUSTRE trading dominated Hong Kong again and trimmed 4.77 off the Hang Seng index to 1,561.72 despite an early rise of nearly five points. The main source of the current weak-

ness is the shift in investor funds overseas as other markets, particularly the leading exchanges, hit record levels. Some bargain hunting propped up

prices but by the close Hang Seng Bank was HK\$1 cheaper at HK\$42. Among utilities, which have showed some strength in recent weeks, Hongkong & China Gas turned 10 cents lower to HK\$12

### **TOKYO**

# Volatility of yen prompts more unease

THE VOLATILITY of the yen combined with some late profit-taking to turn stocks prices lower in Tokyo yesterday, writes Shigeo Nishiwaki of Jiji Press.

Investors rushed to buy public worksrelated stocks such as large-capital constructions, in anticipation of government measures to soften the impact of the yen's surge on the economy by boosting domestic demand. But bluechips and many other issues eased on small-lot selling.

The Nikkei average hit a new high at one stage, but closed 16.20 down at 14,639.32. Volume swelled to 1.14bn shares from the previous day's 874m, largely because of active trading in low-priced construction shares. Declines outnumbered gainers by 547 to 336, with 103 issues unchanged

issues unchanged.

Public works-related issues drew strength from reports that the government had started drawing up an economic package containing stepped-up public works for the first half of the fiscal year beginning in April and deregulations of speed urban redevelopment

and housing construction.

Among the construction issues favoured, Ohbayashi gained Y44 to Y599, Kajima Y39 to Y699 and Taisei Y15 to Y450. Selective buying interest spread to housing and cement shares with Sekisui House rising Y65 to Y1,050 and Sumitomo Cement Y41 to Y366.

mo Cement Y41 to Y366.

Cable and wire shares also attracted buyers as the Government is planning to lay 1,000km of underground cables in the next three years. Furukawa Electric firmed Y24 to Y395.

Electric and gas utilities that should benefit from the yen's appreciation remained favourites. Tokyo Electric Power added Y10 to Y3,600 and Tokyo Gas, the most active with 51.7m shares traded, added Y8 to Y404. But some profit-taking was seen because of their record price levels.

Blue-chips fell on a broad front on prospects of lower export earnings due to the yen's persistent rise. Fanuc lost Y140 to Y6,510, Hitachi Y17 to Y728, NEC Y40 to Y1,170 and Ricoh Y27 to Y856.

The bond market weakened in a bout of profit-taking caused by prospects that Opec members will decide on oil production cutbacks at the Geneva meeting.

Fears of a rebound in oil prices reduced bond demand, which was further diminished by heavy sales by one securities house of bonds worth about Y300bm.

The wield on the bolleration 6.2 are

The yield on the bellwether 6.2 per cent government bond due in July 1995 slipped to 4.830 per cent from Monday's 4.840 per cent at the close, but later climbed to 4.890 per cent on the overthe-counter market. Yields on some issues with similar maturities jumped on profit-taking.

## SOUTH AFRICA

A WARM response was given in Johannesburg to Monday's budget and most sectors showed gains.

The firmer bullion price also aided sentiment and Buffels added R1.50 to R76 while Driefontein gained R1.25 to R54.50.

In mining financials, Anglo American Corp rose 85 cents to R43.85. De Beers picked up 70 cents to R21.10 and Impala, among platinum stocks, was 65 cents stronger at R28.50.

## CANADA

AN ADVANCE among oil and gold stocks firmed Toronto slightly in a modest recovery from the falls encountered on Monday.

Dome Petroleum was actively traded 9 cents higher to C\$2.05, Canadian Pacific was unchanged at C\$18%, Trilon Class A lost C\$% to C\$30% and Imperial Oil Class A added C\$% to C\$46%.

Montreal managed a small across-theboard gain.

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